Application Proof of

China General Education Group Limited
中国通才教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")/the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

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(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

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IMPORTANT

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China General Education Group Limited
中国通才教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED] and adjustment)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.00001 per Share**
Stock code	**:**	**[●]**

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

[REDACTED]

[REDACTED]

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The **[REDACTED]** is expected to be determined by agreement between the **[REDACTED]**, on behalf of the **[REDACTED]**, and our Company on or before **[REDACTED]** or such later time as may be agreed between the parties, but in any event, no later than **[REDACTED]**. If, for any reason, the **[REDACTED]**, on behalf of the **[REDACTED]**, and our Company are unable to reach an agreement on the **[REDACTED]** by **[REDACTED]**, the **[REDACTED]** will not proceed and will lapse immediately. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is expected to be not less than HK$**[REDACTED]** per Share, unless otherwise announced. Investors applying for the **[REDACTED]** must pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the **[REDACTED]** is lower than HK$**[REDACTED]**. The **[REDACTED]**, on behalf of the **[REDACTED]**, may, with the consent of our Company, reduce the number of **[REDACTED]** being offered under the **[REDACTED]** and/or the indicative **[REDACTED]** range below that stated in this document at any time prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **chinageg.cn** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the **[REDACTED]**.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, in particular, the risk factors set out in the section headed "Risk Factors" in this document.

Pursuant to the termination provisions contained in the **[REDACTED]** in respect of the **[REDACTED]**, the **[REDACTED]**, on behalf of the **[REDACTED]**, have the right in certain circumstances, in its absolute discretion, to terminate the obligation of the **[REDACTED]** pursuant to the **[REDACTED]** at any time prior to 8:00 a.m. on the **[REDACTED]**. Further details of the terms of the termination provisions are set out in the section headed " **[REDACTED]**" in this document. It is important that you refer to that section for further details.

The **[REDACTED]** have not been and will not be registered under the **[REDACTED]**, as amended (the "**[REDACTED]**") or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States, except that the **[REDACTED]** may be offered and sold in offshore transactions outside the United States in reliance on **[REDACTED]** under the **[REDACTED]**.

[REDACTED]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this document and the [**REDACTED**] *to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by our Company, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *any of the* [**REDACTED**], *any of their respective directors, officers, representatives or advisors or any other person involved in the* [**REDACTED**].

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

OVERVIEW

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

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

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

Our revenue remained largely stable over the Track Record Period. 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 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.

OUR COLLEGE

During the Track Record Period and as of the Latest Practicable Date, we operated one college, Shanxi Technology and Business College in Taiyuan City, Shanxi Province, the PRC. As of the Latest Practicable Date, our College offered bachelor's degree programs in a total of 36 majors and three concentrations to undergraduate students including accounting, auditing, civil engineering and business administration, among many others.

As a higher education service provider, we are dedicated to (i) building our College into a modern institution of higher education of superior quality, and (ii) equipping our students with practical and readily applicable skills that meet the ever-changing demands of the job market.

SUMMARY OF BUSINESS OPERATING DATA

The following table sets forth information on per student tuition fees and boarding fees for the school years indicated.

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

Note:

(1) We offer three classes of student dormitories in our Longcheng campus and Beige campus, for which boarding fee rates vary based on factors including the size of the room provided, the number of students sharing a room, and the type of furniture and facilitates available, among others. The boarding fee rates charged for these different classes were RMB1,000, RMB1,200 and RMB1,500, respectively, per year per student for each school year in the Track Record Period.

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

	School Year			
	2017/2018	**2018/2019**	**2019/2020**	**2020/2021**
Total student enrollment(1)	16,847	16,278	16,616	17,233
Newly-enrolled students(1)(2)	4,321	3,966	4,500	4,841
Admission quota(3)	4,955	4,250(4)	4,660	5,000
Admission quota utilization rate(3)	87.2%(5)	93.3%	96.6%	96.8%
School capacity	17,256	16,812	19,325	19,010
School utilization rate (6)	97.6%	96.8%	86.0%(7)	90.7%

Notes:

(1) The student enrollment and newly-enrolled students information for the school years indicated was based on the internal records of our College. Total school enrollment includes newly-enrolled students and returning students.

(2) Enrollment figures for newly-enrolled students for each school year are as of September 30 of the 2017/2018, 2018/2019 and 2019/2020 school years and as of October 31 of the 2020/2021 school year as the beginning of that school year was delayed for approximately one month for new students as a result of the impact of the COVID-19 pandemic.

(3) The number of new students our College may admit each school year is generally limited by an admission quota specified by the relevant education authorities, and subject to subsequent adjustment by such authorities after admitting prospective students based on students' listed preferences and the scores they obtained. The original admission quota and any subsequent adjustments made by the relevant education authorities are beyond our control. The admission quota utilization rate is calculated as the aggregate student enrollment for a school year divided by the aggregate admission quota approved by the relevant education authorities.

(4) The decrease in admission quota in the 2018/2019 school year was primarily due to the decrease in admission quota for junior college students as we ceased recruiting new junior college students starting in the 2018/2019 school year.

(5) Admission quota utilization rate in the 2017/2018 school year was lower than that of other school years in the Track Record Period primarily due to the admission quota utilization rate for junior college program was 57.6% as we allocated more school capacity to our bachelor's degree program in the 2017/2018 school year which lowered the overall admission quota utilization rate in the school year. In the 2017/2018 school year, the admission quota utilization rate for our bachelor's degree program was 90.5%.

(6) The school utilization rate is calculated by dividing the respective number of students resided in Longcheng campus and Beige campus in a particular school year by the maximum student capacity for the same school year in Longcheng campus and Beige campus respectively.

(7) The school utilization rate in the 2019/2020 school year was lower than that of other school years in the Track Record Period primarily due to two new student dormitories on Beige campus being put into use in July 2019 which increased our school capacity by an additional approximately 2,000 students.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to distinguish us from our competitors: (i) leading private higher education provider in Shanxi Province with a long history of successful growth and extensive industry experience; (ii) application-oriented course offerings focused on teaching practical skills and preparing students to readily enter the workforce; (iii) active coordination with companies in various industry sectors through joint curriculum design, student cultivation and practical training programs; (iv) well-positioned to benefit from the growing market demand for private higher education and technical talents in Shanxi Province; and (v) experienced, stable and well-established management team with proven track record, supported by seasoned high-caliber teachers with extensive teaching experiences.

OUR BUSINESS STRATEGIES

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) increase our College's capacity and student body and improve the teaching and living environment by building new facilities; (ii) expand our operations through acquisition; (iii) further improve and diversify our curriculum offerings and course design and continue to provide practical training to our students; (iv) expand the scope of our educational service offerings to capture additional growth opportunities; and (v) continue to build and improve our highly qualified teaching team.

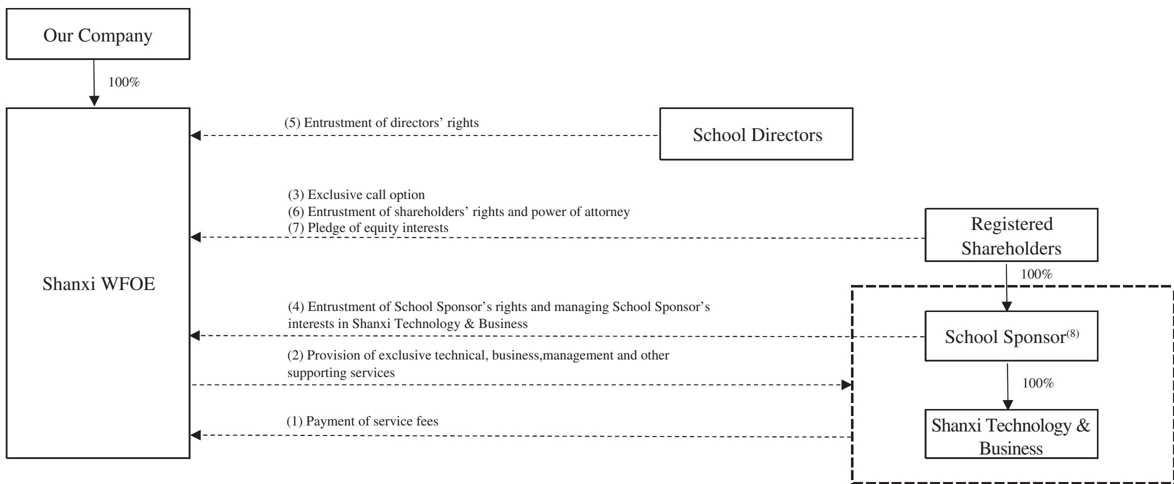
CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. We did not have any single customer who accounted for more than 5% of our revenue for any of the years ended August 31, 2018, 2019 or 2020 or the four months ended December 31, 2020. Our suppliers primarily consist of logistics service providers, construction project contractors, maintenance and renovation contractors, heating service providers, booksellers and teaching equipment suppliers. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, purchases from our five largest suppliers amounted to RMB41.8 million, RMB66.5 million, RMB22.3 million and RMB6.8 million, respectively, accounting for 51.5%, 64.8%, 45.1% and 43.3% of our total purchases for the relevant periods. For the same periods, purchases from our largest supplier for the period amounted to RMB12.0 million, RMB46.4 million, RMB9.0 million and RMB3.0 million, accounting for 14.8%, 45.1%, 18.2% and 19.2%, respectively, of our total purchases for the relevant periods.

During the Track Record Period, (i) Mr. Niu Jian (our executive Director and chief executive officer) held a 31.8% interest and a position as supervisor in a non-decision making capacity in Shanxi Tuohuang, one of our top five suppliers during the Track Record Period, until disposing of such interest in June 2018; and (ii) Tongcai Investment, one of our top five suppliers during the Track Record Period, was a connected person of our Company. Pursuant to a cooperative operation termination agreement, our College and Tongcai Investment agreed to terminate the arrangement with Tongcai Investment in November 2020. See "Business — Customers and Suppliers — Independence of our Top Five Suppliers" in this document for further details.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our College and/or our School Sponsor to our Group stipulated under the Contractual Arrangements. See "Contractual Arrangements — Operation of the Contractual Arrangements" in this document for further details.



"______" denotes direct legal and beneficial ownership in the equity interest

"--------" denotes Contractual Arrangements

Notes:

(1) Payment of service fees. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement" in this document for details.

(2) Provision of exclusive technical and management consultancy services. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement" in this document for details.

(3) Exclusive call option to acquire all or part of our School Sponsor's interest in Shanxi Technology & Business and equity interest in our School Sponsor. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" in this document for details.

(4) Entrustment of School Sponsor's rights in Shanxi Technology & Business by our School Sponsor. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (5) School Sponsor's Powers of Attorney" in this document for details.

(5) Entrustment of directors' rights in Shanxi Technology & Business by directors of Shanxi Technology & Business including directors' powers of attorney. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (6) Directors' Powers of Attorney" in this document for details.

(6) Entrustment of shareholders' right of the Registered Shareholders and our School Sponsor including shareholders' powers of attorney. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" and "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (8) Shareholders' Powers of Attorney" in this document for details.

(7) Pledge of equity interest by the Registered Shareholders of their equity interest in our School Sponsor. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (10) Equity Pledge Agreement" in this document for details.

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

FOREIGN INVESTMENT RESTRICTION

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

Pursuant to the Negative List, the provision of higher education in the PRC falls within the "restricted" category. Foreign investors are only allowed to invest in higher education through cooperation with a domestic party who shall play a dominant role in the Sino-foreign cooperation. We had fully complied with the relevant foreign control restriction in respect of Shanxi Technology & Business on the basis that (a) the principals and the chief executive officers of Shanxi Technology & Business are all PRC nationals; and (b) all the members of the board of directors are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation and 2004 Implementing Regulations, the foreign investor in a Sino-foreign school (a "**Sino-Foreign School**") must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the "**Foreign Ownership Restriction**") and the establishment of these schools is subject to approval of education authorities at the provincial or national level. Notwithstanding our compliance with the Foreign Ownership Restriction, our PRC Legal Advisors have advised that no detailed rules have been released as to what specific criteria must be met by a foreign investor (such as length of experience, and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. Nevertheless, we are committed to working towards meeting the Qualification Requirement. See "Contractual Arrangements — Background of the Contractual Arrangements" in this document for further details.

FOREIGN INVESTMENT LAW

On March 15, 2019, the 13th National People's Congress approved the Foreign Investment Law which came into effect on January 1, 2020. The Foreign Investment Law does not explicitly stipulate that arrangements such as the Contractual Arrangements are a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate or recognize such contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For details of risks relating to the Foreign Investment Law, see "Risk Factors — Risks relating to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations" in this document.

THE 2016 DECISION AND THE IMPLEMENTATION RULES UNDER THE 2016 DECISION

In addition to the 2016 Decision, the General Office of the People's Government of Shanxi Province promulgated the Several Opinions of the General Office of the People's Government of Shanxi Province on Supporting and Regulating the Development of Education by Social Forces and Promoting the Healthy and Orderly Development of Private Education on July 11, 2018, according to which, school sponsors can freely elect to establish for-profit schools or non-profit schools with the exception that schools providing compulsory education must be non-profit. Sponsors of Non-Profit Private Schools do not obtain school operating income, and operating balances are all used for running schools. For-Profit Private Schools sponsors can obtain school operating income, and distribution of the school balances are based on relevant state regulations. Private schools approved for establishment before November 7, 2016 can freely elect to establish for-profit schools or non-profit schools with the exception that schools providing compulsory education must be non-profit, the re-registration shall be completed within 5 years after the publication of Shanxi Opinions.

Our College did not require reasonable returns before the 2016 Decision came into effect and, as of the Latest Practicable Date, we had not made a formal decision as to whether we would to register our College as a for-profit private school or a non-profit private school under the 2016 Decision. Based on our management's judgment on the current legal framework in the PRC, including the 2016 Decision and the 2021 Implementing Regulations, and the existing ownership structure of our College, we currently expect to register our College as a for-profit private school. We will closely monitor and make the relevant decision regarding the status of our College in response to the development of the 2016 Decision and the 2021 Implementing Regulations after consulting our PRC Legal Advisors.

Implications on Our College

According to the 2021 Implementing Regulations, we may be required to pay land transaction fees to the local land resources bureaus for the land we held interests in at Longcheng campus and Beige campus. In the event we choose to register our College as a for-profit private school, we currently expect to fund the land transaction fees using internally generated funds from our operations. Taking into account (i) cash and cash equivalents of approximately RMB211.4 million and RMB48.1 million as of December 31, 2020 and April 30, 2021, respectively; (ii) financial assets at fair value through profit or loss of approximately RMB400.0 million and RMB540.0 million as of December 31, 2020 and April 30, 2021, respectively, all of which had maturity within three months; and (iii) expected future cash inflow from our operating activities going forward (we had cash flows from operating activities of approximately RMB226.2 million for the four months ended December 31, 2020), our Directors consider our internally generated funds would be sufficient to satisfy the above funding needs.

THE CONTROLLING SHAREHOLDERS

Immediately after completion of the [**REDACTED**] and the [**REDACTED**], Niusanping Limited will directly hold [**REDACTED**]% of the issued share capital of our Company, assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Niusanping Limited is solely owned by Mr. Niu Sanping, the chairman of our Board and an executive Director. The Directors are satisfied that our Group is capable of carrying on its business independently of the Controlling Shareholders and its or his respective associates. See "Relationship with Controlling Shareholders" in this document.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

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

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income

	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

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

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 increased to RMB271.1 million for the year ended August 31, 2020. Our revenue decreased from RMB110.9 million for the four months ended December 31, 2019 to RMB110.3 million for the four months ended December 31, 2020.

The decrease in our revenue for the year ended August 31, 2019 as compared to the year ended August 31, 2018 was primarily due 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. Our revenue increased for the year ended August 31, 2020 as compared to the year ended August 31, 2019, mainly due to an increase in our revenue from tuition fees as a result of the increase in the total number of students enrolled in our College from 16,278 for the 2018/2019 school year to 16,616 for the 2019/2020 school year, and partially offset by 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. We refunded a total of RMB5.4 million in boarding fees to our students. The decrease in our revenue for the four months ended December 31, 2020 as compared to the four months ended December 31, 2019 was 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 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 mainly due to an increase in our cost of sales. Such increase was primarily attributable to (i) an increase salary costs, 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 RMB6.8 million, primarily due to a number of real properties being put into use in the 2018/2019 school year as construction projects relating to two teaching buildings, one gymnasium and one student dormitory on Beige campus were completed and purchases of additional equipment, furniture and software. Our profit and total comprehensive income 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 mainly due to (i) an increase of RMB3.7 million in [**REDACTED**] expenses; (ii) a decrease of RMB1.1 million in fair value gains on financial assets at fair value through profit or loss mainly due to the fact that as purchase of financial products were all made at the end of the year in 2020 and therefore no fair value change occurred; and (iii) a decrease of RMB1.4 million in income from scientific research and development services we provided to private companies as a result of the COVID-19 pandemic.

We were not required to pay any PRC Enterprise Income Tax throughout 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% in respect of the service fees it receives from our PRC Affiliated Entities. See "Financial Information — Key Components of our Results of Operations — Income Tax Expense" for further details. 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 25.9%, 25.2%, 25.6% and 25.8% for the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, respectively, in the worst case scenario.

For the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2019 and 2020, our gross profit margin was 64.0%, 59.3%, 60.5%, 58.4% and 58.2%, respectively. During the sames periods, our net profit margin was 54.1%, 51.7%, 52.7%, 52.7% and 46.1%, respectively.

Selected Consolidated Statements of Financial Position

	As of August 31,			**As of December 31,**
	2018	**2019**	**2020**	**2020**
	(RMB in thousands)			
Current assets	414,347	489,178	420,532	619,142
Prepayments, other receivables and other assets	74,124	247,113	19,654	6,708
Financial assets at fair value through profit or loss	–	30,124	311,657	400,000
Current liabilities	326,582	329,183	103,056	237,516
Contract liabilities	221,191	203,481	2,508	180,046
Other payables and accruals	104,273	119,678	95,047	57,462
Net current assets	87,765	159,995	317,476	381,626
Total non-current assets	690,623	755,971	751,725	738,436
Total equity	778,388	915,966	1,069,201	1,120,062
Non-controlling interests	–	(16)	(42)	–

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 and earned interest at the respective rates 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 on September 1, 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**] 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**] from RMB3.3 million as of August 31, 2020 to RMB4.8 million as of December 31, 2020.

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 further 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.

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 from students for the 2020/2021 school year in September 2020.

Selected Consolidated Statements of Cash Flows

	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	44,015	300,642	211,826	211,826	89,127
Cash and cash equivalents at end of year	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 statements of cash flows	300,642	211,826	89,127	142,491	211,356

For the year ended August 31, 2020, we had net cash flow used in operating activities of 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 purchases of items of property, plant and equipment and financial investments and their effect on our liquidity position.

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. The significant drop in cash and cash equivalents to RMB89.1 million as of August 31, 2020 was primarily due to the delay in receiving tuition and boarding fees until after August 31, as described above. Our cash and cash equivalents increased significantly 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. Our cash and cash equivalents decreased to RMB48.1 million as of April 30, 2021 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. We believe 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 [**REDACTED**] from the [**REDACTED**] and expected cash flow generated from our operations.

Key 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.

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 from 408.1% as of August 31, 2020 to 260.7% as of December 31, 2020, primarily 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 2020, partially offset by an increase in financial assets at fair value through profit or loss and cash and cash equivalents.

[**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 statements 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$[**REDACTED**] million) is expected to be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending August 31, 2021 and RMB[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million) is directly attributable to the issue of the [**REDACTED**] to the public and will be capitalized. [**REDACTED**] represent professional fees and other fees incurred in connection with the [**REDACTED**], including [**REDACTED**] commissions 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.

[**REDACTED**]

[**REDACTED**]

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 must make appropriations from after-tax profit to non-distributable reserve funds prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

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.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following: (i) new legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the 2021 Implementing Regulations and related implementation rules; (ii) we are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises and several of the properties we use for our operations are not in compliance with applicable laws and regulations; (iii) we face intense competition in the PRC education industry. If we are unable to compete effectively, our business, financial condition and results of operations may be adversely affected; (iv) our business is heavily dependent on our reputation; (v) our business, financial condition, and results of operations depend largely on the number of students our College may admit, which in turn is subject to the admission quota approved by the relevant education authorities and limited by the capacity of our College's facilities. Our ability to expand our business may also be hindered; and (vi) 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. See "Risk Factors" in this document for details.

PROPERTY VALUATION

According to the property valuation report prepared by Vincorn Consulting and Appraisal Limited, an independent valuer we engaged, as set forth in Appendix III to this document, the market value of the properties interests held by us for occupation in the PRC as of March 31, 2021 was approximately RMB330.0 million. Please refer to the section headed "Business — Properties" and Appendix III in this document for further details on our properties. For risks associated with the assumptions made in the valuation of our properties, see "Risk Factors — Risks relating to our business and our industry — The appraisal value of our properties may be different from their actual realizable value and are subject to uncertainty or change" in this document for details.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period, we were not in compliance with certain PRC laws and regulations, including, (i) we failed to make full payments to the social insurance scheme and contributions to the housing provident fund for our employees; (ii) we have not obtained land use right certificates or real estate title certificates with respect to three parcels of land used by our College; (iii) we occupied collective land without governmental approval; (iv) we have not obtained all relevant permits or carried out all relevant regulatory requirements in relation to all the buildings in which we held interests, including one or more of: completing the fire control design and inspection before commencement of construction, fire control inspection and acceptance before putting properties into use, commencing construction in accordance with the construction planning permit, obtaining construction commencement permit before commencing construction, completing construction project completion acceptance check before putting properties into use and filing the requisite construction project completion acceptance check for buildings; (v) we did not comply with Monitoring Indicators in relation to the ratio of school site area to the number of students enrolled; and (vi) we did not comply with Qualified Indicators in relation to the teacher-to-students ratio and the ratio of teaching and administrative building area to the number of students enrolled. See "Business — Legal Proceedings and Non-compliance" in this document for further details.

The different indicators that applied to our College and our compliance status over the Track Record Period are as follows:

	Qualified Indicators	Restrictive Indicators	Monitoring Indicators	Our compliance status during the Track Record Period
Teacher-to-student ratio	1:18	1:23	N/A	Complied with Restrictive Indicators, but not complied with Qualified Indicators(1)
Ratio of teaching and administrative building area to the number of students enrolled	not less than nine sq. m. per student	not less than five sq. m. per student	N/A	Compliant with Qualified Indicators for the 2019/2020 and 2020/2021 school year, but not compliant with Qualified Indicators for the 2017/2018 and 2018/2019 school year
Ratio of school site area to the number of students enrolled	N/A	N/A	not less than 54 sq. m.	Not compliant

Note:

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

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

See "Business — Properties — Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled" and "Business — Legal Proceedings and Non-compliance" for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2020 and up to the date of this document, our business remained stable and in line with the past trends and our expectations. As of December 31, 2020 and the Latest Practicable Date, the total number of student enrollment at our College was 17,201 and 17,154, respectively. With tuition fee rates charged for the 2020/2021 school year remaining relatively stable as compared with the 2019/2020 school year, this will potentially increase our revenue for the year ending August 31, 2021. However, our forecast profit for the year ending August 31, 2021 is expected to decrease as compared with the year ended August 31, 2020 primarily due to an increase in [**REDACTED**]. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC private education industry in which we operate that may have a material adverse effect on our business operations and financial position.

Impact of the COVID-19 on our College

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. The outbreak of COVID-19 cases in the PRC and globally have caused governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns.

In light of the outbreak of the COVID-19 epidemic in the PRC, our College postponed the opening of both school campuses for the spring semester of the 2019/2020 school year. In order to minimize disruption to the school year as much as possible, we taught classes and offered other learning activities via online platforms from March 2020 to June 2020 while the students and faculty of our College were unable to return to school. Pursuant to the Guiding Opinions on the Organization and Management of Online Teaching in Colleges and Universities in Shanxi Province During the Period of Epidemic Prevention and Control (《關於在疫情防控期間做好全省高等學校在線教學組織與管理工作的指導意見》) issued by the Department of Education of Shanxi Province, teachers at our College attended relevant technology training provided by various online platforms and we selected a number of suitable platforms including WeChat, QQ, DingTalk, Tencent Meeting, among others, on which to conduct teaching. We cannot guarantee you that teaching courses online can be as effective as teaching courses offline. See "Risk Factors — Risks relating to our business and our industry — We may not be effectively able to adjust our teaching methods and materials if we are again required to close our campuses to provide education services to students via online platforms due to a recurrence of COVID-19".

In addition, due to the outbreak of COVID-19, the Department of Education of Shanxi Province, the Shanxi Development and Reform Commission, and the Department of Finance jointly issued the Notice on School Fee Management Work during the Period of Epidemic Prevention and Control (《關於做好疫情防控期間學校收費管理工作的通知》) (the "**Notice**"). Pursuant to the Notice, for the 2019/2020 school year, notwithstanding that our College was unable to timely open its campuses for the spring semester of 2020 as previously scheduled, we managed to provide education services to our students via third-party online education platforms. Therefore, we were not required to refund any tuition fees to our students. However, we were required to refund to our students a portion of boarding fees we collected at the beginning of the 2019/2020 school year, in the aggregate amount of RMB5.4 million. We refunded all of such RMB5.4 million in boarding fees to our students in the year ended August 31, 2020. Other than this, the outbreak of COVID-19 did not have significant impact on our operations and financial position for the year ended August 31, 2020. See "Business — Tuition and boarding fees — Student Withdrawal and Refund" for further details.

As of the Latest Practicable Date, the spread of COVID-19 in Shanxi Province was under control and our College campuses remained open. We have enrolled 17,233 students for the 2020/2021 school year. Despite the beginning of the semester being delayed until October 12, 2020 for new students, our students have returned to school and we have carried out our classes in both school campuses since the commencement of the 2020/2021 school year.

In the event our students are not able to attend classes on our school campuses for any portion of the 2020/2021 school year due to any major health and safety concerns, we will be able to respond quickly and arrange resuming teaching online. As we still render education services to our students online even when on-campus learning is not possible, we continue to receive tuition fees and recognize such revenue in the ordinary course of business. However, if our students were not able to attend classes on our school campuses for any portion of the 2020/2021 school year due to any major health and safety concerns, we could be required to refund some of the boarding fees received and lose a portion of the revenue from boarding fees if our students were no longer able to use the dormitories on campuses. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, revenue from boarding fees amounted to RMB20.1 million, RMB21.0 million, RMB15.9 million and RMB9.5 million, respectively, accounting for 7.5%, 7.9%, 5.9% and 8.6%, respectively, of our total revenue. In addition, we could face more challenges if the COVID-19 outbreak prolongs, and the operation of our schools, including our student recruitment, could be adversely affected, which, in turn, could impact our financial performance in the 2020/2021 school year.

Our Directors are of the view that if the COVID-19 pandemic were to worsen in China, assuming that (i) our operations were fully suspended and thus, our College was unable to generate any revenue from May 1, 2021; (ii) the remaining tuition fees and boarding fees we collected from students prior to the beginning of the 2020/2021 school year which we had not yet recognized as revenue was refunded; (iii) trade payables were settled when due; (iv) full time staff, including both teaching and administrative staff, got paid during the suspension of our operations; (v) no other income, including but not limited to fair value gain from financial assets at fair value through profit or loss, government grant, and bank interest income, was generated; (vi) there were no other sources of funding except for cash on hand and [**REDACTED**] of the estimated [**REDACTED**] of the [**REDACTED**] designated for our working capital and general corporate purposes; (vii) no [**REDACTED**] of the [**REDACTED**] in accordance with the anticipated uses as set forth in the section headed "Future Plans and [**REDACTED**]" in this document were considered as our expansion plan was delayed; and (viii) all other variables remained constant, we would still expect to remain financially viable for more than two years.

"2004 Implementing Regulations"	Implementing Regulations for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) approved by the State Council on February 25, 2004, which took effect on April 1, 2004
"2016 Decision"	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) approved by the Standing Committee of the National People's Congress on November 7, 2016, which took effect on September 1, 2017
"2021 Implementing Regulations"	Implementing Regulations for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) approved by the State Council on April 7, 2021 and released on May 14, 2021, which will take effect from September 1, 2021
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AIC"	Administration for Industry and Commerce (工商行政管理局), currently consolidated into the AMR
"AMR"	Administration for Market Regulation (市場監督管理局), consolidated from various government departments, including the AIC

[**REDACTED**]

"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on [●], [2021] and as amended from time to time, a summary of which is set out in Appendix IV to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Basic Indicators"	basic school operating condition indicators (基本辦學條件指標) which are one type of indicators according to the Conditions. The Basic Indicators are categorized into "Qualified Indicators" (which are suggested aspirational standards) and "Restrictive Indicators" (which are suggested minimum requirements)

"Board" or "Board of Directors"	the board of Directors of our Company
"BPPE"	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs in charge of regulation of private postsecondary educational institutions operating in the State of California, the United States
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Shanxi WFOE, Mr. Niu Sanping, Mr. Niu Jian and our PRC Affiliated Entities dated November 12, 2020
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"[**REDACTED**]"	the issue of [**REDACTED**] Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "A. Further information about our Company — 4. Written resolutions of the then shareholders of our Company passed on [●], [2021]" in Appendix V to this document

[**REDACTED**]

"China" or "PRC"	the People's Republic of China excluding for the purpose of this document, Hong Kong, the Macau Special Administrative Region and Taiwan

"China General Education (HK)"	China General Education Group (Hong Kong) Limited (中國通才教育集團(香港)有限公司), a company incorporated with limited liability under the laws of Hong Kong on November 7, 2018, a direct wholly-owned subsidiary of the Company
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China General Education Group Limited (中国通才教育集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 14, 2018
"Conditions"	the Indicators for the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》) promulgated by the MOE in 2004
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Power of Attorney, the Shareholders' Power of Attorney, the Equity Pledge Agreement and the Spouse Undertaking, further details of which are set out in the section headed "Contractual Arrangements" in this document
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Niu Sanping and Niusanping Limited
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the [**REDACTED**], details of which are set out in the section headed "History and Corporate Structure — Corporate Reorganization" in this document
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated [●], [2021] entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in the section headed "G. Other Information — 1. Deed of Indemnity" in Appendix V to this document
"Director(s)"	the director(s) of our Company
"Directors' Powers of Attorney"	the powers of attorney executed by each of the directors appointed by the school sponsor of Shanxi Technology & Business in favour of Shanxi WFOE each dated November 12, 2020
"EIT"	enterprise income tax as stipulated by the EIT law
"EIT Law"	the PRC Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》) adopted by the National People's Congress of the PRC on March 16, 2007 and which became effective on January 1, 2008, and revised on February 24, 2017 and December 29, 2018, which became effective on the same date
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among Mr. Niu Sanping, Mr. Niu Jian, Shanxi WFOE and Shanxi Tongcai dated November 12, 2020
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Shanxi WFOE, Mr. Niu Sanping, Mr. Niu Jian and our PRC Affiliated Entities dated November 12, 2020
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Shanxi WFOE and our PRC Affiliated Entities dated November 12, 2020

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong, or any extreme conditions or events, the occurrence of which causes serious interruption to the ordinary course business operations in Hong Kong
"FIE"	foreign invested enterprise
"FIL" or "Foreign Investment Law"	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) approved by the National People's Congress on March 15, 2019, which came into effect on January 1, 2020
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report, commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan

[**REDACTED**]

"Group", "our Group", "we" or "us"	our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"IFRS"	International Financial Reporting Standards
"[**REDACTED**]"	the mobile application for the [**REDACTED**] service which can be downloaded by searching "[**REDACTED**]" in App Store or Google Play or downloaded at [**REDACTED**] or [**REDACTED**]
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	May 27, 2021, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication

[**REDACTED**]

"Listing Committee"	the Listing Committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on [●], [2021] and as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教 育部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政 部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商 務部)
"Monitoring Indicators"	monitoring school operating condition indicators (監測辦學條件指標) which are one type of indicators according to the Conditions. The Monitoring Indicators are supplementary standards that provide basis for the comprehensive analysis of the conditions for operating higher education institutions according to the Conditions
"Mr. Niu Jian"	Mr. Niu Jian (牛健), an executive Director and the son of Mr. Niu Sanping
"Mr. Niu Sanping"	Mr. Niu Sanping (牛三平), the chairman of the Board, an executive Director and a Controlling Shareholder; and the father of Mr. Niu Jian, an executive Director
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和 國全國人民代表大會)
"Negative List"	Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版)) which was promulgated by the NDRC and the MOFCOM on June 23, 2020 and became effective on July 23, 2020
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Niujian Limited"	Niujian Limited (牛健有限公司), a company incorporated under the laws of the BVI with limited liability on August 3, 2018, and is wholly-owned by Mr. Niu Jian
"Niusanping Limited"	Niusanping Limited, a company incorporated under the laws of the BVI with limited liability on August 3, 2018, and is wholly-owned by Mr. Niu Sanping

"Notice"	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》), jointly issued by the Department of Education of Shanxi Province, the Shanxi Development and Reform Commission and the Department of Finance of Shanxi Province on June 9, 2020

[**REDACTED**]

"PRC Affiliated Entities"	our consolidated affiliated entities, namely, Shanxi Technology & Business and our School Sponsor
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles applicable in the PRC

"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors"	Commerce & Finance Law Offices, our legal advisors as to PRC law
	[**REDACTED**]
"Registered Shareholders"	shareholders of Shanxi Tongcai, namely, Mr. Niu Sanping and Mr. Niu Jian
	[**REDACTED**]
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAMR"	the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局), formerly known as the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"School Sponsor"	the school sponsor of Shanxi Technology & Business, namely Shanxi Tongcai, pursuant to the Permit for Operating a Private School (民辦學校辦學許可證) issued by the MOE in October 2020
"School Sponsor's and Directors' Rights Entrustment Agreement"	the school sponsor's and directors' rights entrustment agreement entered into by and among Shanxi Technology & Business, our School Sponsor, the directors of Shanxi Technology & Business and Shanxi WFOE dated November 12, 2020

"School Sponsor's Power of Attorney"	the power of attorney executed by the School Sponsor in favor of Shanxi WFOE dated November 12, 2020
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Shanxi Opinions"	the Several Opinions of the General Office of the People's Government of Shanxi Province on Supporting and Regulating the Development of Education by Social Forces and Promoting the Healthy and Orderly Development of Private Education (《山西省人民政府辦公廳關於支援和規範社會力量興辦教育促進民辦教育健康有序發展的若干意見》) promulgated by the General Office of the People's Government of Shanxi Province on July 11, 2018
"Shanxi Technology & Business" or "our College"	Shanxi Technology and Business College (山西工商學院) (formerly known as Shanxi Vocational College of Technology and Business* (山西工商職業學院)), a private undergraduate college that obtained approval from People's Government of Shanxi Province for its establishment on May 26, 2004 and one of our PRC Affiliated Entities
"Shanxi Tongcai"	Shanxi Tongcai Educational Technology Company Limited* (山西通才教育科技有限公司), a limited liability company established under the laws of the PRC on May 17, 2018, our School Sponsor and one of our PRC Affiliated Entities
"Shanxi WFOE"	Shanxi Tongshi Tiancai Educational Technology Co., Ltd.* (山西通實天才教育科技有限公司), a limited liability company established as a wholly foreign owned enterprise under the laws of the PRC on June 24, 2019, an indirect wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of US$0.00001 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●], [2021], the principal terms of which are summarized under the paragraph headed "F. Share Option Scheme" in Appendix V to this document

"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Power of Attorney"	the power of attorney executed by each of the Registered Shareholders in favour of Shanxi WFOE each dated November 12, 2020
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among Mr. Niu Sanping, Mr. Niu Jian, Shanxi WFOE and Shanxi Tongcai dated November 12, 2020
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation in Operating Schools (《中華人民共和國中外合作辦學條例》), taking effect on September 1, 2003 and amended on July 18, 2013 and March 2, 2019

[**REDACTED**]

"Spouse Undertaking"	the spouse undertaking executed by Ms. Geng Jie (耿婕), the spouse of Mr. Niu Sanping dated November 12, 2020
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of our Company include the PRC Affiliated Entities in this document
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Shares Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tongcai Investment"	Shanxi Tongcai Education Investment Co., Ltd.* (山西通才教育投資有限公司), a limited liability company established under the laws of the PRC on May 17, 2018, which is owned as to 40% by Mr. Niu Jian, 40% by Mr. Niu Sanping, and 20% by Ms. Chen Xue (陳雪)

"Track Record Period"	the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States

[**REDACTED**]

"%"	Percent

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

In this document, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB[0.8787] = HK$1.00 or RMB[6.8101] = US$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.*

Unless otherwise specified, all relevant information in this document assumes no exercise of the [**REDACTED**].

GLOSSARY OF TECHNICAL TERMS

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

"bachelor's degree program" or "undergraduate program" or "undergraduate"	a four-year post-secondary formal program that generally enrolls high school graduates who have taken the National Higher Education Entrance Examination, and upon the completion of which a bachelor's degree will be granted
"CAGR"	compound annual growth rate
"college"	a division of a university or an independent college devoted to a particular academic discipline
"compulsory education"	grade one to grade nine education, which all citizens in China must receive, according to the Compulsory Education Law of the People's Republic of the PRC (《中華人民共和國義務教育法》)
"formal education"	education system that provides students with the opportunity to earn official certificates from the PRC government
"high school"	a school that provide education for students in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies
"independent college"	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
"Initial Employment Rate"	the percentage of graduates who entered into full-time employment contracts with various enterprises or organizations, participated in national and local government projects, enrolled in the military of the PRC, attended graduate programs offered by other universities in the PRC or overseas, or engaged in other flexible types of employment including self-employment and freelance, as of September 1 during the year in which they graduated. According to the Frost & Sullivan Report, this scope of eligible employment for the calculation of the Initial Employment Rate is same as that of Shanxi Province and China

"junior college program"	a three-year post-secondary formal education program that generally enrolls high school graduates who have taken the National Higher Education Entrance Examination, and upon completion of which a junior college degree will be granted
"junior college to bachelor's degree transfer program"	a two-year post-secondary formal education program that enrolls graduates of junior college degree programs and upon completion of which a bachelor's degree will be granted
"National Higher Education Entrance Examination"	also known as "Gaokao" (高考), a national academic examination held annually in China, which is a prerequisite for entrance into almost all higher education institutions at the undergraduate level in China
"northeastern China" or "Northeast China"	includes Heilongjiang, Jilin and Liaoning Provinces
"northern China" or "North China"	includes Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region
"one-child policy"	China's population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions
"private higher education institution"	a PRC private higher education institution (民辦高等教育機構) that is operated by non-governmental entity(ies) or individual(s) where public funding is not a major source of capital and has open admission and enrollment to the public. It is able to offer junior college, undergraduate and graduate courses. Private higher education institutions include private regular university, private regular junior college and independent college
"private school(s)"	school(s) which are not administered by local, provincial or national governments
"public school(s)"	school(s) administered by local, provincial or national governments
"retention rate"	the percentage of employees who did not leave our College during the relevant year/period, which equals the number of employees who worked at our College for the whole year/period divided by the total number of employees of our College at the beginning of the corresponding year/period

"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year"	the school year for our College, which generally starts on September 1 of each calendar year and ends on August 31 of the next calendar year
"student enrollment" or "student enrollments"	total number of students enrolled in a certain educational program in a given period
"sq. m."	square meter
"two-child policy"	China's population control policy implemented in 2016 by the Decision of the Central Committee of the Communist Party of China and the State Council on Implementing the Universal Two-Child Policy and Reforming and Improving the Management of Family Planning Services (《中共中央、國務院關於實施全面兩孩政策改革完善計劃生育服務管理的決定》), according to which a family is allowed to have up to two children

FORWARD-LOOKING STATEMENTS

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

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

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the 2021 Implementing Regulations and Related Implementation Rules.

The 2016 Decision and Related Implementation Rules

The private higher education industry in the PRC is subject to various laws and regulations. Relevant laws and regulations could be changed to regulate the development of the education industry, in particular, the private education markets from time to time. For example, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) was promulgated in December 2002, was amended in June 2013, and further amended in November 2016 and December 2018 and took effect on September 1, 2017 and December 29, 2018, respectively. Pursuant to the 2016 Decision, private schools will no longer be classified as either schools for which school sponsor(s) require reasonable returns or schools for which school sponsor(s) do not require reasonable returns. Instead, school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that private schools providing compulsory education must be non-profit. As of the Latest Practicable Date, we had not made a decision to register our College as a for-profit private school or a non-profit private school. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, 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.

The election to register our College as a non-profit or for-profit private school may have a material impact on our business, financial condition and results of operations, of which we are currently not in a position to accurately assess due to the absence of any further detailed implementation rules under and interpretations of the 2016 Decision and the 2021 Implementing Regulations.

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the state level. See "Regulatory Overview — Regulations on Private Education in the PRC" in this document for details.

On July 11, 2018, the General Office of the People's Government of Shanxi Province promulgated the "Shanxi Opinions". According to the Shanxi Opinions, school sponsors can freely elect to establish for-profit schools or non-profit schools with the exception that private schools providing compulsory education must be non-profit. Sponsors of non-profit private schools do not obtain school operating income, and operating balances are all used for running schools; sponsors of for-profit private schools can obtain school operating income, and distribution of the school balances are based on relevant state regulations. Private schools which provided education services other than compulsory education and were approved for establishment before November 7, 2016 shall submit in writing their decisions to convert into for-profit or non-profit schools within five years from July 2018 which was confirmed in our interview with the Department of Education of Shanxi Province. Furthermore, on December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province, the Department of Civil Affairs of Shanxi Province, the Office of the Organization Committee of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures of Classified Registration of Private Schools in Shanxi Province (《山西省民辦學校分類登記實施辦法》) (the "**Shanxi Measures**"), which includes the requirements and procedures of approval for establishment, classified registration, change of registered events, termination and cancelation of registration, classified registration of existing private schools. See "Regulatory Overview — Regulations on Private Education in the PRC" in this document for details.

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

- if we elect to register our College as a for-profit private school, we will be required to (i) make financial settlement; (ii) clarify the property rights of the relevant assets, such as land, school buildings and net balance be authenticated by the relevant governmental authorities; (iii) pay the relevant taxes and fees; and (iv) re-register with the relevant government authorities to continue the school operations. In particular, the current legislations are silent as to the tax treatment of a for-profit private school and more specific provisions are yet to be introduced. Consequently, we are unable to accurately evaluate the potential impact on the tax liabilities our College may be exposed to at this stage and we could even have additional tax imposed retrospectively after we choose for our College to be a for-profit private school. In addition, due to the rather limited government support available to a for-profit private school, our College may no longer enjoy similar government support as non-profit private schools. In the absence of any detailed implementation rules or further guidelines, we are not be able to predict or estimate the potential costs and expenses to be involved, which may materially and adversely affect our business, financial condition and results of operations; or

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

For more details of the potential impact on us of the 2016 Decision and related implementing rules, see "Business — Potential Impact on Us of the 2016 Decision and Related Implementing Rules" in this document.

While we intend to comply with all new and existing laws and regulations, we cannot assure you that we will always be deemed to be in full compliance with such new laws and regulations in a timely manner, as their interpretation may remain uncertain, nor can we assure you that we will always be able to timely and efficiently change our business practice in line with the new regulatory regime. Should we fail to fully comply with the 2016 Decision, the 2021 Implementing Regulations or any relevant implementing rule or regulation as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or face other negative consequences that could materially and adversely affect our brand name and reputation, and, in turn, our business, financial condition and results of operations.

The 2021 Implementing Regulations

On May 14, 2021, the State Council released the 2021 Implementing Regulations, which will take effect from September 1, 2021. The 2021 Implementing Regulations made certain significant changes to certain provisions of the 2004 Implementing Regulations which may affect private schools.

The 2021 Implementing Regulations stipulate further provisions of the operation and management of private schools including, among other things, (i) a private school may enjoy the preferential tax policies, which are not defined thereunder, as stipulated by the State and a non-profit private school may enjoy the same tax policies as enjoyed by a public school; (ii) local governments shall grant preferential treatment in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic qualifications, may provide land by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale and as rental, and may allow such schools to settle in installments; (iii) private schools providing compulsory education are not allowed to enter into transactions with Interested Parties, which include the sponsor, the actual controller (實際控制人), the principal, the director, the supervisor, the person in charge of the financial affairs of a private school, and any organization or individual that has mutual control or influence over the above-mentioned organizations or individuals which may lead to any interest transfer of private schools ("**Interested Parties**"), while other private schools shall conduct transactions with their Interested Parties in a manner that is open, justified and fair, conducted at reasonable pricing, and subject to standardized decision-making established for such transactions and not harmful to the interests of the State, school, teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their Interested Parties; (iv) the relevant governmental authorities, such as the education department, the human resources and social security departments and the financial department, shall strengthen supervision over agreements signed between non-profit private schools and their Interested Parties, and shall review such transactions annually; (v) the registered capital of a private school shall be paid in full when it is formally established and shall be compatible with the type, level and scale of the school; (vi) at the end of each financial year, a for-profit private school must set aside not less than 10% of its audited annual net profit, and a non-profit private school of its audited annual net increase in assets, as a development fund, which shall be used for the development of the school; and (vii) public schools providing compulsory education shall not establish or participate in the establishment of private schools. Other public schools are not allowed to hold or participate in the organization of for-profit private schools. Public schools providing vocational education can establish or participate in the vocational education for-profit private schools. If a public school establishes or participates in the establishment of a private school, it shall first obtain approval from government authorities, and shall not use the state's fiscal funds, affect the public school's teaching activities, or obtain management fees or other means to obtain or disguise the proceeds of schooling. While we currently expect to register our College as a for-profit private school under the current PRC laws, our eligibility to register as a for-profit private school is subject to potential further restrictions and specific conditions stipulated by future laws, regulations and rules. We cannot assure you that we will be able to fulfill the requirements under any relevant future laws, regulations or rules successfully or in a timely manner or at all, which may bring uncertainty to our eligibility to be registered as a for-profit private school.

We may be required to pay land transaction fees to the local land resources bureaus for the land acquired through land allocation or under any other preferential treatment of the local governments. We may need to use internally generated funds from our Group's operations to pay land transaction fee, which could create strains on our financial condition and adversely affect our business operations.

The implementation of the 2021 Implementing Regulations may also have an impact on our expansion strategy. According to the 2021 Implementing Regulations, no social organizations or individuals are allowed to control compulsory education private schools or non-profit private schools which offer preschool education through mergers or contractual arrangements. As advised by our PRC Legal Advisors, we may not be able to acquire compulsory education private schools or non-profit private schools which offer preschool education held by others using methods such as mergers or "contractual arrangements". Furthermore, pursuant to the 2021 Implementing Regulations, if the sponsor is a legal person, its controlling shareholder and the actual controller must meet the requirements stipulated by laws and administrative regulations for the establishment of a private school, and any change of the controlling shareholder or the actual controller, must be reported to the competent department for record-filing and publicity. We cannot assure you that such requirements will be always fulfilled successfully or in a timely manner or at all, which may bring more uncertainty to our expansion plan.

Under the 2021 Implementing Regulations, we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing review by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome, and may divert management attention. Government authorities may, during their review process, compel us to make modifications to the Contractual Arrangements, which may in turn adversely affect the operation of the Contractual Arrangements. Government authorities may also find that one or more agreements underlying the Contractual Arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impacts on our operations and financial condition.

As of the Latest Practicable Date, we had not been notified of or been subject to any material fines or other penalties under any PRC laws or regulations in respect of our Group's existing corporate structure, including the use of the Contractual Arrangements. If our Group's existing corporate structure or the Contractual Arrangements are deemed to violate any rules, laws or regulations, we may be required to terminate or amend the Contractual Arrangements, our license to operate private schools may be revoked, canceled or not renewed and we may be exposed to other penalties as determined by the relevant government authorities. We may also be restricted from further expanding our College or business operation. If such situations occur, our business, financial condition and prospects would be materially and adversely affected.

We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises and several of the properties we use for our operations are not in compliance with applicable laws and regulations.

From time to time, we may renovate existing premises or construct new buildings to ensure that our educational facilities are fitted with appropriate technologies or to enhance convenience and comfort for our students and staff. We may establish new campuses and school premises as we grow and expand our business operations. For campuses and school premises constructed and developed for our College, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including, for example, the construction planning permit, the construction commencement permit, construction completion inspection, the fire control design and inspection, the fire control inspection and acceptance, the environmental acceptance check and building ownership certificates. We may in the future encounter problems in fulfilling the conditions precedent to obtain those certificates, permits and pass those inspections and acceptance checks, and we may not always be able to obtain them in a timely manner, or at all.

In particular, some of the properties we currently use for our operations are not in compliance with applicable laws and regulations in the PRC. As of the Latest Practicable Date, we had not (i) obtained land use right certificates or real estate title certificates for land with an aggregate site area of approximately 124,803.8 sq. m., representing 25.9% of the total land used by our College; (ii) obtained real estate title certificates or building ownership certificates for buildings with an aggregate gross floor area of approximately 244,153.1 sq. m., representing 64.7% of the aggregate gross floor area of all the buildings owned and used by us; and (iii) obtained all relevant permits or carried out all relevant regulatory requirements, including one or more of: completing the fire control design and inspection before commencement of construction, fire control inspection and acceptance before putting properties into use, commencing construction in accordance with the construction planning permit, obtaining construction commencement permit before commencing construction, completing construction project completion acceptance check before putting properties into use and filing the requisite construction project completion acceptance check for buildings with an aggregate gross floor area of approximately 377,555.7 sq. m., representing 100.0% of the aggregate gross floor area of all the buildings owned and used by us. For further details on non-compliance of our properties with applicable regulations see "Business — Properties" in the document.

As a result of these issues, our right to occupy and use these properties may be limited or challenged by the relevant government authorities or third parties. The risks in connection with the non-compliance of these properties generally include the following:

- as advised by our PRC Legal Advisors, relevant land administration authority may (i) require us to return the improperly occupied land for which we have not obtained land use right certificates, (ii) confiscate the buildings and other facilities on such lands; and (iii) impose us a fine of not more than RMB30 per sq. m.;

- for construction work that is carried out without a construction planning permit, the license issuing authority with jurisdiction shall order the construction to be ceased, and (i) we may be subject to a fine ranging from 5% to 10% of the construction cost and ordered to rectify the impact on the planning caused by such construction, if such impact can be rectified; or (ii) we may be subject to a fine of not more than 10% of the construction cost and the confiscation of the building and/or any income illegally earned from such construction, if such impact cannot be rectified and the building cannot be demolished;

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

- for buildings that were constructed without passing fire control design and inspection prior to commencement of construction, we are subject to the risk of being prohibited from using these buildings or being ordered to close our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000 per building;

- for buildings that were put into use without passing the fire control inspection and acceptance, we are subject to the risk of being prohibited from using these buildings or being ordered to close our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000 per building;

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

- for construction projects for which we did not file construction project completion acceptance check, we may be ordered to rectify and may be subject to a fine between RMB200,000 and RMB500,000 per building.

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us with respect to the above non-compliance. As confirmed by our Directors, we are in the process of applying for the required certificates and permits and fulfilling the assessment procedures and are closely following up with the government authorities with respect to our applications. However, we cannot assure you that the relevant authorities will not interpret, implement or enforce the relevant rules and regulations differently. In addition, we cannot assure you that we will not encounter any impediment in applying for the relevant certificates and permits or fulfilling the assessment procedures. If any of these risks materializes our business, financial condition and results of operations may be materially and adversely affected.

In particular, the non-compliance issues concerning certain land and buildings used by our College involve a considerable gross floor area and any regulatory enforcement action may potentially result in material disruptions to our operations, which may in turn have a material adverse effect on our financial condition. There can be no assurance that we will not be requested to vacate the lands and buildings with non-compliance issues in the future which will force us to find a suitable alternative location to accommodate the relevant students. Such relocation may be materially disruptive to our operations and the learning environment of our students. Our relocation plan may also experience significant delay for various reasons that we may have limited or no control over, including any delay in obtaining the relevant certificates and permits required for the construction of the new buildings and facilities to commence, delay in compliance with various inspection and assessment procedures before any school building or facility can be put to use and delay or default by our building contractors. We have limited prior experience in executing and implementing any relocation plan of this scale. As such, we cannot assure you that the relocation plan will be implemented and executed successfully (or at all) as scheduled and that the relocation plan will be an adequate mitigation against the potential risks of non-compliance. We may face regulatory enforcement actions from the relevant government authorities before the implementation of the relocation plan is complete. If any of the above risks materializes, our business, financial condition and results of operations may be materially and adversely affected.

In addition, for our planned construction of a teaching building, a library and a gymnasium located on our Beige campus with a proposed gross floor area of approximately 73,129.5 sq. m., as of the Latest Practicable Date, (i) we had not obtained the requisite construction planning permit and construction work commencement permit, and (ii) we had not commenced construction. There is no assurance that we will be able to obtain and/or pass requisite permits, certificates or inspections for campuses and school premises we constructed and/or will develop and construct in the future. If we fail to do so, we may not be able to commence construction, which could disrupt our business plans and cause us to incur additional expenses. This, in turn, may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our financial position and results of business operation may be materially and adversely affected by the outbreak of COVID-19.

Beginning in early 2020, the outbreak of COVID-19 epidemic in China has endangered the health of many people residing in the PRC and significantly disrupted travel and the local economy across the country. COVID-19 has had a severe and negative impact on the Chinese and global economies. Whether this will lead to a prolonged downturn in the economy is still unknown. Due to the outbreak of COVID-19, we temporarily closed our College campuses in March 2020 and started to provide education services to our students via third-party online platforms. We postponed the commencement of the spring semester of the 2019/2020 school year for our College and established different back-to-school timelines for students until May and June 2020. Pursuant to the Notice, 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 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. In the event we are unable to successfully render services to our students, we may be subject to claims to refund a portion or all of our contract liabilities, which may materially and adversely affect our business, results of operations and financial condition.

In the event of a recurrence of COVID-19 in Shanxi Province or elsewhere in China, we may be required to close our campuses and resort to online learning again. Teaching courses online may not be as effective as learning in classrooms. Students may be easily distracted while attending courses at home through the internet. Some of them may have limited access to the internet. It may also not be easy for teachers to track class attendance and adjust teaching methods and teaching materials to suit online teaching. Moreover, certain types of courses, particularly those involving practical laboratory work or simulated work environments, may be difficult to replace with online instruction. All of the above may compromise the quality and negatively impact the outcome of our courses. If we are unable to successfully adjust our teaching methods and materials and maintain the quality of education services, our business, results of operations and financial condition may be materially and adversely affected.

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

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

Our business is heavily dependent on our reputation.

We believe that our success is heavily dependent on the reputation of our College. Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control.

Factors which could potentially impact our reputation, include, among others, levels of students' and parents' satisfaction with our program and curriculum offerings, teachers and teaching quality, ability of our graduates to find satisfactory employment, accidents on campus, negative press, disruptions to our educational services, failure to pass inspections by the relevant education authorities, loss of certifications and approvals that enable us to operate our College in the manner it is currently being operated, and unaffiliated parties using our name or brand without adhering to our standards of education. We may also experience negative publicity or a decrease in word-of-mouth referrals. Any such negative developments could have an adverse impact on our reputation and result in students' withdrawal from or unwillingness to apply to our College. If our reputation is damaged, students' and parents' interest in our College may diminish and our business could be materially and adversely affected.

We have established and developed our student base primarily through word-of-mouth referrals and student recruitment events. Specifically, we have (i) participated in school recruitment fairs promoted by the Admission Office of Department of Education of Shanxi Province, which is in charge of higher education recruiting within Shanxi Province, and (ii) put promotional advertisements online. However, we cannot assure you that such methods will be sufficient in the future or that any additional marketing efforts we may undertake will be successful or sufficient in further promoting market awareness or in helping us to attract sufficient student interest in our College. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. If we are unable to maintain or sustain our reputation, we may also be unable to maintain or increase student enrollment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

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.

One of the most significant factors affecting our profitability is the tuition and boarding fee rates we charge at our College. For the years ended August 31, 2018 and 2019 and 2020 and the four months ended December 31, 2020, our revenue generated from tuition fees were RMB247.3 million, RMB245.2 million, RMB255.2 million and RMB100.8 million, respectively, accounting for 92.5%, 92.1%, 94.1% and 91.4%, respectively, of our total revenue. During the same periods, our revenue generated from boarding fees were RMB20.1 million, RMB21.0 million, RMB15.9 million and RMB9.5 million, respectively, accounting for 7.5%, 7.9%, 5.9% and 8.6%, respectively, of our total revenue. 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.

As of the Latest Practicable Date, our tuition fees and boarding fees are included in the Shanxi provincial price catalog published in 2015 and as such, are decided by the government or subject to governmental approval. There can be no assurance that we will be able to maintain or raise the tuition and/or boarding fee levels we charge at our College in the future. In the event we elect our College to become a for-profit private school under the 2016 Decision, our tuition fee rates will be determined primarily based on guidance issued by the relevant pricing bureau, the demand for our educational programs, the cost of our operations, the geographical markets, the tuition rates charged by our competitors and general economic conditions in Shanxi Province and the PRC in general. Even in such case, there can be no assurance that we will be able to maintain or raise the tuition fees and boarding fees at our College in the future. Moreover, even if we are able to maintain or raise tuition fees or boarding fees, we cannot assure you that we will be able to attract prospective students to apply for our College at the current fee rates or at all. Moreover, our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition fees and boarding fees levels, attract sufficient prospective students or collect tuition fees and boarding fees on time.

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

Our business, financial condition, and results of operations depend largely on the number of students our College may admit, which in turn is subject to the admission quota approved by the relevant education authorities and limited by the capacity of our College's facilities. Our ability to expand our business may also be hindered.

Each year the education authorities specify a quota for the number of new full-time students our College may admit. The number of full-time students our College may admit is therefore subject to a quota set and approved by the Shanxi Development and Reform Commission (山西省發展和改革委員會) and the Department of Education of Shanxi Province each school year on a year-by-year basis, subject to any adjustments agreed by the education authorities. The main factors these education authorities take into consideration include capacity, current status of school development, enrollment and registration in previous years, teaching quality and the employment rate of graduates. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, our admission quota was 4,955, 4,250, 4,660 and 5,000 students, respectively and our utilization rate of the admission quota was 87.2%, 93.3%, 96.6% and 96.8%, respectively. See "Business — Our Student — Student Enrollment and Capacity" in this document for details of our historical enrollment and school capacity. Student enrollment plays a large part in determining our total revenue. In addition, the number of students we are able to admit at our College is also constrained by the size of our educational facilities, the size of the dormitories and number of beds available for students on campus, which are limited in space and size. Our total school capacity for the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years was 17,256, 16,812, 19,325 and 19,010 students, respectively and our utilization rate of such capacity was 97.6%, 96.8%, 86.0% and 90.7%, respectively.

We cannot assure you that we will be able to successfully increase student enrollment capacity at our College, which is subject to the approvals of the relevant education authorities, and which is beyond our control.

If we fail to admit all qualified students who are interested in enrolling in our College due to these capacity constraints or student enrollment quota limitations, we may not be able to maintain our historic enrollment levels or to grow our student enrollment. Thus, we may not be as successful in carrying out our growth strategies and expansion plans as we would have anticipated, which may have a material and adverse effect on our business, financial condition and results of operations.

If the admission quota for our College does not increase or even decreases in the future, which results in a decrease in the total number of our admitted students, our total revenue may not grow as expected or may decline, which in turn will have a material and adverse impact on our business, financial condition and results of operations.

In addition, there can be no assurance that the overall yield (報到率) of our College, which is defined as the number of new students who enrolled in our College divided by the total number of students to whom we extended offers for admission in such school year, will remain stable. For example, some College applicants who have been admitted to our College may choose not to register, and decide to re-take the National Higher Education Entrance Examination the following year. If the number of such students increases, which will impact the number of our enrolled students, our business, financial position and results of operations may, in turn, be materially and adversely affected.

Our business relies substantially on our ability to recruit and retain dedicated and qualified teachers and other school personnel.

We rely substantially on our teachers to deliver our educational services to students. Our teachers are critical to maintaining the quality of our programs and services and to upholding our reputation. As of December 31, 2020, we had a team of 558 full-time teachers and 544 part-time teachers.

To maintain the quality of education provided to our students and further grow our business, we need to continue to attract qualified and experienced teachers who have a strong command of their respective subject matters and meet our standards. We seek to hire teachers with expertise and experience in their respective subject areas as well as being able to deliver clear and practical classroom instruction that keeps students engaged. In addition, given the strong practical focus of our College, we also look for teachers with practical skills and work experience in their respective relevant industries. We believe there are a limited number of teachers with the necessary experience and qualifications to teach our courses. For the 2017/2018, 2018/2019 and 2019/2020 school years, the retention rate of our full-time teachers was 89.8%, 91.1% and 91.9%, respectively. There can be no guarantee that we will be able to recruit and retain those teachers in the future. As a result, we believe that we may need to provide competitive compensation and benefits packages to attract and retain qualified teachers and school administrative personnel.

In addition, criteria such as work ethic, commitment and dedication are difficult to ascertain during the recruitment process, particularly as we continue to expand and recruit teachers and other school personnel quickly in order to meet the anticipated rising trend of student enrollment. We must also provide on-going training to our teachers so that they can stay abreast of changes in industry standards and student demands to effectively teach their respective courses.

We may not be able to identify, hire and retain a sufficient number of qualified teachers and qualified school administrative personnel to keep pace with our anticipated growth, or our training may not be adequate for our teachers to meet our standards of education which we believe will continue to evolve with the latest developments in our industry in the geographical regions we serve. If we are unable to recruit and retain an appropriate number of qualified teachers and qualified school administrative personnel, or if the training we provide to our teachers turns out to be inadequate, the quality of our services or overall education programs may deteriorate or be perceived to deteriorate in our College, which may have a material and adverse effect on our reputation, business and results of operations.

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

Our growth has placed, and will continue to place, significant pressure on our management and resources. We plan to initiate construction of Phase IV of our Beige campus which comprises of a teaching building, a library and a gymnasium. This phase will add an aggregate proposed gross floor area of approximately 73,129.5 sq. m. to our Beige campus, and will include a teaching building with a total proposed gross floor area of approximately 17,766.5 sq. m., a library with a total proposed gross floor area of approximately 48,653 sq. m. and a gymnasium with a total proposed gross floor area of approximately 6,710 sq. m. We are currently in the process of applying for approvals for our adjusted plans and construction permits from the local governmental authorities. See "Business — Our Business Strategies — Increase our College's capacity and student body and improve the teaching and living environment by building new facilities" for details. In addition to expanding our College in China, with the aim of building our presence overseas and creating synergies with our college in China, we plan to establish and operate General Business University of California Incorporated, a higher education institution in California, the United States. See "History and Corporate Structure — School to be Established — New school in the California" for details. We may not succeed in executing our growth strategies due to a number of factors, including our failure to do the following:

- effectively execute our expansion plans;
- increase student enrollment in our College;
- admit all qualified students who would like to enroll in our College due to the capacity constraints of our school facilities;
- continue to enhance our course materials or adapt our course materials to student needs and teaching methods;

- replicate our successful growth model in new markets or new geographical locations outside Shanxi Province;
- obtain the requisite licenses and permits from the authorities necessary to open new schools at our desired locations;
- achieve the benefits we expect from our expansion;
- identify suitable acquisition targets;
- effectively integrate any future acquisitions into our Company;
- cooperate and establish partnership with potential third party partners;
- obtain government support or to partner with local governments in cities where we already have schools or in cities or areas to which we plan to expand our operation;
- effectively market our College or brand in new markets or promote ourselves in existing market; and
- expand our education resources by diversifying our service offerings and increase transaction volume.

Any failure to effectively and efficiently manage our expansion strategies, may materially and adversely affect the quality of our overall educational services and limit our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results.

With respect to General Business University of California Incorporated, we have no prior experience establishing or operating schools outside China, in particular, in the United States, and we may encounter barriers and challenges upon entering into such markets, including the failure to obtain relevant regulatory approvals, which may result in delays or our inability to carry out our overseas expansion plans. We may also overestimate the market demand for our educational services in the United States or underestimate the costs associated with the establishment and operation of General Business University of California Incorporated. In addition, we may need to make significant investments in developing schools overseas and may not be able to effectively manage our costs or generate sufficient revenue to justify the investments we make. We cannot assure you we will be able to successfully establish and/or operate schools overseas. If we are unable to do so, our business, financial condition and results of operations may be materially and adversely affected.

We may expand our operation through acquisitions of or investments in additional schools. If we fail to execute this expansion strategy successfully, our business, financial condition and results of operations may be materially and adversely affected.

One of our growth strategies is to grow our business and expand our school network by acquiring or investing in private institutions of higher education that have substantial growth potential. See "Business — Our Business Strategies — Expand our operations through acquisition" for details. We believe we face challenges in integrating the business operations and management philosophies of acquired schools. The benefits from future acquisitions depend, to a significant extent, on our ability to effectively integrate the management, operations, technology and personnel of the acquired schools. The acquisition and integration of acquired schools is a complex, time-consuming and expensive process that, without proper planning and implementation, may significantly disrupt our business operations and reputation. The main challenges involved in integrating acquired schools include:

- identifying suitable targets for acquisition;
- consolidating educational services offered by the acquired schools;
- complying with regulatory requirements and obtaining all necessary government approvals;
- implementing a consistent school culture if acquired schools have a culture that is averse to change and are not receptive to our education values and methods;
- integrating information technology platforms and administrative infrastructure with minimal disruptions to the existing operations of the acquired schools;
- minimizing the diversion of our management's attention from on-going business concerns;
- minimizing disruptions to existing students' studies as a result of the acquisition; and
- ensuring and demonstrating to our stakeholders that the new acquisitions or establishments will not result in any adverse changes to our established brand image, reputation, teaching quality or standards.

We have no prior experience in acquiring or investing in schools and we cannot assure you that we will be able to identify suitable targets and that our due diligence efforts will reveal all material deficiencies in the target schools. We may not successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all. We may not realize the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we had anticipated, which may result in material adverse effects on our business, financial condition and results of operations. We cannot assure you that we will be able to manage or minimize the disruptions to the acquired schools as a result of a change in management. Failure to do so may result in adverse effect on our reputation, financial condition, and the results of operations.

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

Due to the nature of the business operation of our College, we derive revenue mainly from tuition fees and boarding fees paid by the students of our College. We generally require tuition fees and boarding fees to be paid by our students in advance prior to the beginning of each school year, which are initially recorded as contract liabilities and are proportionately recognized as revenue when the relevant services are rendered to our students during the school year. We recorded contract liabilities of RMB221.2 million, RMB203.5 million, RMB2.5 million and RMB180.0 million as of August 31, 2018, 2019 and 2020 and December 31, 2020.

The delivery of our services to the students may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters. In the event we are unable to successfully render services to our students, we may be subject to claims to refund a portion or all of our contract liabilities, which may materially and adversely affect our business, results of operations and financial condition.

We face intense competition in the PRC education industry. If we are unable to compete effectively, our business, financial condition and results of operations may be adversely affected.

According to the Frost & Sullivan Report, the private higher education industry in China is rapidly evolving and is highly fragmented and competitive, with participants in the industry facing increasingly intense competition. We primarily compete with public schools and other private schools in Shanxi Province and elsewhere in China that offer similar programs, including universities that also specialize in the applied sciences. We compete with these schools across a range of factors, including program and curriculum offerings, school location and facilities, expertise and reputation of teachers, tuition fee levels, and cooperative relationships with reputable companies in various industries. Public schools may enjoy preferential treatment from governmental authorities in respect of, among other things, government subsidies. Our competitors may adopt similar curriculums, teaching methods, school support and marketing approaches, with different pricing and content that may be more appealing to students and their parents. In addition, some of our competitors may have better connections with companies in various industries or more resources than we do and may be able to devote greater resources than we can to the development and promotion of their schools and respond more quickly than we can to the changes in student demand, market needs or new technologies. As such, we may be required to reduce tuition fees and boarding fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition levels, attract and retain competent teachers or other key personnel, enhance the quality of our education services or control competition costs, our business and results of operations may be materially and adversely affected.

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

Generally, we design our curriculums based on prevalent market trends and employer preferences. During the past few years, we have developed several new majors/concentrations based on changing market trends and demand, such as artificial intelligence, home economics, aviation services art and management and preschool education (early education concentration) in our College. We intend to continue developing new courses in anticipation of market demand and industry trend. We cannot assure you that we will be able to accurately anticipate market trends and the new programs/courses we designed will achieve widespread market acceptance or generate the desired level of income for our students. If we fail to provide courses that adequately prepare our students for the evolving demands of the job market, our students may not be able to successfully find employment or the students' employment after graduation may not be satisfactory to our students or their parents or our graduates' performance may not be satisfactory to employers. As a result, our programs and services may become less attractive to students and parents. There is no assurance that we can promptly and adequately respond to changes in market demand and provide school learning experiences that are satisfactory to all of our students. As a result, we may also experience negative publicity or a decrease in word-of-mouth referrals. Any such negative developments could result in students' withdrawal from or unwillingness to apply for our College, and therefore have an adverse impact on our reputation. Furthermore, if we fail to timely develop and introduce new education services and programs in our College based on changing trend in the job market, our ability to attract students and our reputation could be materially and adversely affected, which may have a material adverse impact on our business, financial condition and results of operations.

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

The PRC education industry, including the private higher education sector, is highly regulated by, among other authorities, the MOE and other local education authorities. As a private higher education provider, we are subject to extensive laws and regulations in China, such as the Education Law of the PRC (《中華人民共和國教育法》), the Higher Education Law of the PRC (《中華人民共和國高等教育法》), the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), and the Implementing Regulations for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》). We are required to obtain, renew and maintain various approvals, licenses and permits and fulfill registration and filing requirements in order to conduct our operations. For instance, to establish and operate a school, we are required to obtain a private school operating license from the local education bureau and to register with the local civil affairs bureau to obtain a certificate of registration for a privately run non-enterprise unit, or legal entity.

While we will use our best efforts to obtain all required permits and complete the necessary filings, renewals and registrations timely for our College, we cannot assure you that we are able to obtain all required permits and licenses on a timely basis, or at all, given the significant amount of discretion relevant regulatory authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive or obtain required permits or renew any permits and certificates in a timely manner, or at all, our business and operation of our College will be materially and adversely impacted. In addition, if the contractual agreements that establish the structure for operating our PRC business are found to be in violation of any PRC laws and regulations in the future, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, the suspension of our non-compliant operations or the compensation of any economic loss suffered by our students or other relevant parties. If any of the above situations occur, our business, financial condition and results of operations could be materially and adversely affected.

The private higher education business has a relatively short history in China and may need time to gain wide acceptance.

Our future success is largely dependent on the acceptance, development and expansion of the market for private higher education services in China in general, and specifically in Shanxi Province. The private higher education services market started to develop in the early 1980s, experienced rapid growth in the 1990s, and has grown significantly because of favorable policies enacted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private education industry in China. However, private education services on a for-profit basis were not permitted in China until September 2017 when the amendments made to the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective.

The development of the private higher education industry has been accompanied by significant press coverage and public debate concerning the management and operation of private schools and universities. Significant uncertainty remains in the PRC to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. For example, certain favorable policies referenced in relevant PRC law are available to non-profit private schools, such as preferential tax treatment, as they are to public schools, while for-profit private schools are supposed to enjoy preferential tax treatment as subject to the state's provisions. To date, however, other than the Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) and the Implementing Rules for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》) and the Implementing Rules on Classification Registration of Private Schools (《民辦學校登記實施細則》) and the Notice of the State Administration of Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private Schools (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》), no separate policies, regulations or rules have been introduced by the authorities with regard to for-profit private schools. Please refer to the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this document for further details. If the private education business model fails to gain traction or wide acceptance among the general public in China, especially among students and their parents, or if the favorable regulatory environment otherwise changes in the future, we may be unable to grow our business and the [**REDACTED**] of our Shares could be materially and adversely affected.

Our College is subject to various compliance requirements set out by the Basic Conditions for Operating Higher Education Institutions (Trial).

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, our College was subject to certain regulatory guidance requirements in relation to the prescribed ratio between our College's site area/gross floor area of the teaching and administrative buildings and the number of full-time students enrolled.

According to the Conditions, there are two types of indicators, namely, Basic Indicators and Monitoring Indicators. The ratio of our College's site area to the number of students enrolled should be not less than 54 sq. m. per student enrolled as our College falls under the school category of literature, finance and economics and law school. The ratio of school site area to the number of students enrolled is a Monitoring Indicator. As of September 30, 2017, 2018 and 2019, and October 31, 2020, our ratio of school site area to the number of students enrolled was approximately 27.8 sq. m./student, 28.5 sq. m./student, 28.8 sq. m./student and 27.9 sq. m./student, respectively. In addition, the applicable standard threshold of the ratio of our College's teaching and administrative building area to the number of students enrolled shall not be less than nine sq. m. according to the Qualified Indicators and the restrictive threshold of such ratio shall not be less than five sq. m. according to the Restrictive Indicators, as our College falls under the category of finance and economics school as stipulated by the Conditions. During the Track Record Period, our College did not comply with the standard threshold of the ratio of our College's teaching and administrative building area to the number of students enrolled but have met the restrictive threshold of such ratio requirement. See "Business — Properties — Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled" and "Business — Legal Proceedings and Non-compliance" for details. We will continue monitor the situation and would obtain additional land to the extent this became required by relevant government authorities. However, the obtaining of additional land could cause us to incur significant expense and there can be no assurance that we would be able to find suitable land in a timely manner, or at all.

In addition, according to the Conditions, the teacher-to-student ratio of our College should be maintained at a level of not less than 1:18 according to the relevant Qualified Indicators and not less than 1:23 according to the relevant Restrictive Indicators. During the Track Record Period, our College did not comply with the qualified teacher-to-student ratio but has met the restrictive teacher-to-student ratio requirement under the calculation method contained in the Conditions. See "Business — Our Teachers" for details. While we understand based on the interviews with the Department of Education of Shanxi Province that the aforementioned ratios are only used as principles to guide school operation in Shanxi Province and failure to comply with such principles will not be considered as material non-compliance with the Conditions, or otherwise subject our College to any fines or result in restrictions and/or suspensions of student enrollment or other negative effects on the regular operation of our College, and in addition, our College had not received any yellow or red card, or been subject to any form of administrative penalty by any government authorities in relation to its compliance with the Conditions as of the Latest Practicable Date, we cannot assure you that the regulations relating to the ratio between school site area/building area and the number of students enrolled, or teacher-to-student ratio will not change in the future or that the relevant education authorities will not impose any fines or penalties on us for failure to comply with the regulations. If we should be deemed to be not in compliance with the relevant regulations, our business, financial condition, future prospects and results of operations may be materially and adversely affected.

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

Our business, financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond our control, such as public perception of the private higher education industry in China and our ability to maintain and increase student enrollment at our College and maintain and raise tuition and boarding fees. We cannot guarantee that we will be able to maintain and raise tuition and boarding fees, or maintain the same rates in revenue and profit in the future. We also may not be successful in continuing to increase the number of students admitted to our College due to our limited capacity, and we may not be as successful in carrying out our growth strategies and expansion plans as we would have anticipated.

Moreover, we may not sustain our past growth rates in the future, and we may not sustain our profitability on a quarterly, interim or annual basis in the future. We generally require students to pay tuition fees and boarding fees for the entire school year prior to the commencement of each school year. We recognize tuition fees and boarding fees as revenue proportionately over the periods of the applicable program. However, our costs and expenses are not necessarily recognized at the same time as our revenue. Our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. In addition, our other income is non-recurring in nature. We may not be able to maintain the current level of other income in the future. If there is a substantial decline in our other income, our profitability may be negatively affected. See "Financial Information" in this document for further details. The [**REDACTED**] and [**REDACTED**] volume of our Shares could be subject to significant volatility should our earnings fail to meet the expectations of investors. Any of these events could cause the price of our Shares to materially decrease.

We had net cash outflow from operating activities for the year ended August 31, 2020.

For the year ended August 31, 2020, we had net cash flow used in operating activities of RMB25.4 million. The primary reason for such negative operating cash flow is that the 2020/2021 school year started later than usual due to the COVID-19 pandemic and we did not receive most tuition fees, boarding fees and miscellaneous fees from students for the 2020/2021 school year until September 2020. We cannot assure you that we will not experience negative net operating cash flows in the future, and if such situation is not managed properly, it could negatively affect our business operations and financial condition. Our future liquidity, the payment of other payables and accruals, as well as the repayment of any potential debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and/or obtain external financings. If we are unable to maintain positive cash flows from operations, we may not be able to meet our payment obligations to support our business operations. As a result, our business, financial position, results of operations and prospects may be adversely affected.

The unavailability of any preferential tax treatment currently enjoyed by our College could materially and adversely affect our results of operations.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), formal educational services provided by education institutions are exempted from value-added tax. Our College did not pay PRC enterprise income tax and value-added tax in respect of income from rendering the formal education service during the Track Record Period. We have obtained confirmation from the local tax bureau via interview, which confirmed, among other things, that our College was not required to pay any PRC enterprise income tax and value-add tax during the Track Record Period in respect of the revenue generated from providing formal education services during such period.

Pursuant to the 2016 Decision, a non-profit private school may enjoy the same preferential tax treatment as a public school. In addition, pursuant to the 2016 Decision, a for-profit private school may enjoy preferential tax treatments in accordance with relevant PRC laws and regulations. Pursuant to the 2021 Implementing Regulations, a private school may enjoy the preferential tax policies, as stipulated by the State and a non-profit private school may enjoy the same tax policies as enjoyed by a public school. However, existing PRC laws and regulations, including the 2016 Decision as amended in December 2018 which took effect on September 1, 2017 and December 29, 2018, respectively, and the 2021 Implementing Regulations have not set forth any details regarding the preferential tax treatments that may be enjoyed by a for-profit private school, including any restriction on tax exemption amount or preferential tax rate.

With a view to understanding the local legislation development in Shanxi Province as our school sponsors have not made formal application to register our College as a for-profit private school, with the assistance of our PRC Legal Advisors we consulted the Taxation Bureau of Xiaodian District, Taiyuan City, being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to taxation issues relevant to us. In accordance with such interview with the competent authority which confirmed, among other things, that our College was exempt from PRC enterprise income tax and value-added tax during the Track Record Period. However, relevant government authorities may promulgate detailed rules and regulations regarding the preferential tax treatments that may be enjoyed by a for-profit private school in the future. There is a possibility that such rules and regulations will reduce or eliminate the preferential tax treatments currently enjoyed by our College. The unavailability of any favorable tax treatments currently available to our College at the same level as historically would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

Although, we were not required to pay PRC enterprise income tax in respect of income we recorded from the provision of formal educational services during the Track Record Period, following the execution of the Contractual Arrangements, Shanxi WFOE is currently subject to PRC enterprise income tax rate of 25% and value-added tax of 3% 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.

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

We depend on our senior management and school administrators for the smooth operation of our College and execution of our business strategies. The continuing services of our executive Directors, senior management team and the principal of our College are crucial to our future success.

If one or more of our executive Directors, senior management and other key personnel are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, and our business may be disrupted and our results of operations and financial condition may be materially and adversely affected. Competition for qualified and experienced teachers in the private education industry in China and in particular, in Shanxi Province, is intense, and the pool of qualified candidates is very limited. We may not be able to retain qualified personnel in the future. In the event we lose services, or if any of our key teaching personnel joins our competitors or forms a new competing company, we may not be able to retain our teachers, students and other professionals. As a result, our business, results of operations and financial condition could be materially and adversely affected.

We maintain limited insurance coverage.

We maintain various insurance policies to safeguard against risks and unexpected events, such as school liability insurance and student safety insurance. However, our insurance coverage is limited in terms of amount, scope and benefits. In addition, we do not maintain business interruption insurance, product liability insurance or key-man life insurance. See "Business — Insurance" for more information. We are exposed to risks including, but not limited to, accidents or injuries in our College, fires, explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. Any business disruption, litigation or legal proceedings or natural disasters, such as epidemics, pandemics or earthquakes, or other events beyond our control, could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

Accidents or injuries suffered by our students, our employees or other personnel on our College premises may adversely affect our reputation and subject us to liabilities.

We could be held liable for the accidents or injuries or other harm to students or other people at our College, including those caused by or otherwise arising in connection with the facilities or employees of our College. We could also face claims alleging that we were negligent, or that we provided inadequate maintenance to our College facilities or fail to properly supervise our employees and therefore may be held liable for accidents, incidents or injuries suffered by our students or other people at our College. In addition, if any of our students or teachers or anyone else on our College premises commits any act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Our College may be perceived to be unsafe, which may discourage prospective students from applying to or attending our College. A liability claim against us or any of our employees could adversely affect our reputation and student enrollment and retention. Even if unsuccessful, such a claim could create unfavorable publicity, causing us to incur substantial expenses and diverting the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

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

During the Track Record Period, our College outsourced all the meal catering services, including seven canteens on our campuses to an Independent Third Party. Our College usually enters into five-year co-operation agreements with this Independent Third Party. The Independent Third Party enters into separate service contracts with various third-party catering providers and suppliers, which we are not a contracting party. Our College monitors the quality of the services provided by the Independent Third Party strictly. We had food safety management personnel to regularly conduct inspections of the daily operation of the canteens at our College. However, we cannot assure you that we will be able to monitor the food preparation process to ensure its quality or require the Independent Third Party to adhere to our food quality standards. In the event poor food quality results in any serious health violations, such as mass food poisoning, results in harm to any of our students, our business, financial condition and reputation could be materially and adversely affected.

From time to time, our business partners and suppliers may have disputes with us or file claims of breach of contract against us, which may harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

We cooperate with a large number of enterprises and institutions in a variety of college-industry collaboration programs, including joint curriculum design, student cultivation and practical training. In addition, we collaborate with a university internationally, namely Cardiff Metropolitan University. We also enter into contracts with logistics service providers, construction project contractors, maintenance and renovation contractors, heating service providers, booksellers and teaching equipment suppliers. We cannot assure you that disputes will not arise from these collaborations and contracts or that our business partners and suppliers will not bring claims against us. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. Further, we cannot assure you that we will be able to defend against such claims successfully. If any such claims against us were ultimately successful, we could be required to pay damages, which could materially and adversely affect our business, financial condition and results of operations.

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

The property valuation report set out in Appendix III to this document with respect to the appraised value of our properties are based on various assumptions, which are subjective and uncertain in nature. The assumptions that Vincorn Consulting and Appraisal Limited used in the property valuation report include: (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests; (ii) no allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale; (iii) the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests; and (iv) the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights. One or more of the aforementioned assumptions may be inaccurate. As a result, the appraised value of our properties may not be its actual realizable value or a forecast of their realizable value. In addition, unexpected changes to our properties and to the national and local economic conditions may affect the value of these properties. Therefore, you should not place undue reliance on such appraised value attributable to these properties by Vincorn Consulting and Appraisal Limited.

The construction of new buildings on our campus and addition of property, plant and equipment in connection with our expansion strategies may result in an increase in depreciation costs which may materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we built significant additional facilities to improve our teaching facilities, provide a better learning environment for our students and increase our College's student capacity. Our annual depreciation costs increased from RMB30.1 million for the year ended August 31, 2018 to RMB36.6 million for the year ended August 31, 2020. Our depreciation costs decreased from RMB12.4 million for the four months ended December 31, 2019 to RMB12.0 million for the four months ended December 31, 2020. In connection with our expansion strategy, we plan to initiate the construction of Phase IV of our Beige campus which will include the construction of a teaching building, a library and a gymnasium. We expect construction for this project to begin in the third quarter of 2021 and to be completed by the end of the first quarter of 2024. See "Business — Our Business Strategies — Increase our College's capacity and student body and improve the teaching and living environment by building new facilities" for details.

In addition, we plan to expand our operation abroad by establishing a higher education institution in California, the United States. See "History and Corporate Structure — School to be Established — New school in California" for details. The establishment of such US-based higher education institution may cause us to incur additional depreciation costs in relation to the additional property, plant and equipment we will obtain.

Such increases in our depreciation costs could result in a decrease in our profit, and may materially and adversely affect our business, financial condition and results of operations.

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

Unauthorized use of any of our intellectual property may occur and consequently affect our business and reputation in a negative way. We rely on a combination of patents, copyrights, trademarks and trade secrets laws to protect our intellectual property rights. However, using our best efforts, third parties may obtain and use our intellectual property without due authorization and infringe our rights. The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. This could result in substantial cost, and require our management personnel to divert a substantial amount of their time and energy to handle these situations. In addition, our business could be disrupted by any such infringement. Despite our efforts, there is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent third parties from unauthorized use. Failure to adequately protect our intellectual property could have a material and adverse effect on our business, financial condition and results of operations.

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

As of the Latest Practicable Date, we had not encountered any material claims for intellectual property infringement. However, we cannot assure you that materials and other educational content used in our College and programs do not or will not infringe intellectual property rights of third parties, and there is no guarantee in the future that third parties will not claim that we have infringed on their proprietary rights.

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

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

Companies operating in the PRC are required to participate in various employee benefit plans including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not pay housing provident fund in full for the employees of our College as the payment basis of housing provident fund of such employees were not determined with reference to the actual salary level of such employees as prescribed by the applicable PRC laws and regulations. The aggregate amount of such unpaid housing provident fund contributions was RMB2.9 million, RMB2.5 million, RMB1.9 million and RMB1.5 million as of August 31, 2018, 2019 and 2020 and December 31, 2020, respectively. As advised by our PRC Legal Advisors, pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), if we do not pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the payment outstanding within a stipulated period; if the payment is not made within the stipulated period, an application may be made to the PRC courts for compulsory enforcement. In addition, until August 2020, we did not make full contributions to social insurance scheme for the employees of our College as the payment basis of social insurance contribution for such employees before August 2020 were not determined with reference to the actual salary level as prescribed by the applicable PRC laws and regulations. As of August 31, 2018, 2019 and 2020 and December 31, 2020, the aggregate amount of unpaid social insurance contribution was RMB2.8 million, RMB2.0 million, RMB2.3 million and RMB2.7 million, respectively. Please refer to the section headed "Business — Legal Proceedings and Non-compliance" in this document for further details. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

The assets held by our College may not be pledged as collateral in connection with securing bank loans and other borrowings, which reduces our College's ability to obtain financing to fund its operations.

On May 28, 2020, the National People's Congress of the PRC enacted the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), with an effective date of January 1, 2021. The Civil Code provides that non-profit legal persons established for public welfare such as schools, kindergartens and medical institutions shall not mortgage their educational facilities, health care facilities and other public welfare facilities. The buildings that our College owns and occupies may be considered "public welfare facilities" according to the Law for Promoting Private Education (《民辦教育促進法》), which provides that private education is considered in the nature of "public welfare" in the PRC. It may be interpreted that the Civil Code limits the prohibition on property mortgage only to non-profit private schools. However, substantial uncertainties still exist regarding the interpretation and application of the Civil Code after its effectiveness. If relevant PRC government authorities take a different view, these properties may not be allowed to be pledged as collateral when our College enters into loan agreements with banks. In such cases, our College' s ability to obtain financing to fund its operations will be limited. Even if collateral is meant to be created based on such properties under any loan agreement to be entered into between our College and the potential lender, such pledge may not be valid or enforceable under the laws and regulations of the PRC, as a result of which, our College' s ability to obtain financing to fund their operation is limited.

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

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

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

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza, severe acute respiratory syndrome, or SARS, COVID-19, swine flu or H1N1 virus and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. In particular, all of our students are boarding students and our College provides on-campus accommodations to our teacher and staff, the boarding environment makes our students, teachers and staff exceptionally vulnerable to epidemics or pandemics, which may make it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. These events could also substantially impact our industry and, in the recent past caused a delay to the opening of the school campuses for the spring semester of the 2019/2020 school year for our College. In addition, any of these events may cause material disruptions to our operations, such as temporary closure of our school campuses, which in turn may materially and adversely affect our business, financial condition and results of operations. If any of these events occur, our College and facilities may suffer damages or be required to temporarily or permanently close and our business operations may be suspended or terminated. Our students, teachers and staff may also be negatively affected by such events. For instance, our operations could be further disrupted if any of our students, teachers and staff were suspected of contacting a contagious disease, since this could require us to quarantine some or all of our employees or students and disinfect the facilities used in our business operations. Any of these could adversely affect the PRC economy and demographics of the affected region, which could cause significant declines in the number of our students applying to or enrolled in our College. If this takes place, our business, financial condition and results of operations could be materially and adversely affected.

The unavailability of any favorable regulatory treatment, particularly government grants and subsidies could adversely affect our business, financial condition and results of operations.

We enjoy certain favorable regulatory treatment, particularly government grants and subsidies, which are offered primarily for the purpose of promoting the development of private higher education institutions. For the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, we recorded government grants related to income in the total amount of RMB0.7 million, RMB0.5 million, nil and RMB1.0 million, respectively. However, it is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC laws, to determine whether and when to provide government grants and subsidies to us, if at all. We cannot assure you that we will be able to receive government grants and subsidies in the future. Furthermore, any unexpected changes in the PRC laws may result in uncertainty in the availability of government grants and subsidies or any other favorable treatment to us. If we are unable to obtain or maintain government grants and subsidies or any other favorable treatment in the future in the same amount or at all, our business operations, results of operations, and cash flows could be adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by our financial assets at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement using of significant observable inputs in the valuation technique.

During the Track Record Period, we invested in unlisted investments, which mainly included financial products issued by licensed banks in the PRC. As at August 31, 2018, 2019 and 2020 and December 31, 2020, our financial assets at fair value through profit or loss amounted to nil, RMB30.1 million, RMB311.7 million and RMB400.0 million, respectively.

The financial products are measured at fair value with significant observable inputs used in the valuation techniques and the changes in their fair value are recorded as other income in our consolidated statements of profit or loss, and therefore directly affects our profit for the year and our results of operations.

We did not incur any fair value losses for financial assets at fair value through profit or loss during the Track Record Period. However, we cannot assure you that we will not incur any such fair value losses in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

We entered into a series of agreements in which our wholly-owned subsidiary, Shanxi WFOE, receives economic benefits from our PRC Affiliated Entities pursuant to relevant clauses under the agreements. See "Contractual Arrangements" in this document for more information.

Foreign investment in the education industry in the PRC is extensively regulated and subject to numerous restrictions. Under the Negative List, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in the higher education industry in cooperative ways and the domestic party shall play a dominant role in the cooperation.

Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign joint venture educational institution should be below 50%. According to relevant regulations, the foreign investors invested in higher education must be foreign education institutions, with relevant qualifications and experience. See "Regulatory Overview" in this document for more information. Although foreign investment in the higher education is not prohibited, we are still ineligible to operate higher education institution by the way of share control. See "Contractual Arrangements — Background of the Contractual Arrangements" in this document for further information. Accordingly, we have been and are expected to continue to be dependent on the Contractual Arrangements to operate our education business.

If the Contractual Arrangements that establish the structure for operating our China business are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

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

- restricting the [**REDACTED**] from our additional [**REDACTED**] or financing to finance our business and operations in China.

If any of the above penalties are imposed on us, our business, financial condition and results of operations may be materially and adversely affected.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The National People's Congress promulgated the Foreign Investment Law (《中華人民共和國外商投資法》) on March 15, 2019, which took effect on January 1, 2020. Under the Foreign Investment Law, foreign investment is defined as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations ("**Foreign Investor(s)**"), and specifically stipulates certain forms of investment activities which constitute foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

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

In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our PRC Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. If, in the Stock Exchange's view, our Company no longer has a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the [**REDACTED**] of our Shares or even result in [**REDACTED**] of our Company. For details of the Foreign Investment Law and the Negative List and its potential impact on our Company, please see "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment" in this document.

Therefore, there are significant uncertainties in relation to the interpretation and implementation of the Foreign Investment Law and its impact to our Contractual Arrangements and our business, financial condition and results of operations.

The Contractual Arrangements may not be as effective in providing control over our PRC Affiliated Entities as direct ownership.

We have relied and expect to continue to rely on the Contractual Arrangements to operate our education business in China. For a description of these Contractual Arrangements, see "Contractual Arrangements" in this document for details. Relying on these Contractual Arrangements may not be as effective in providing us with control over our PRC Affiliated Entities as equity ownership. If we had direct ownership of the school sponsor's interest and/or the equity interest in our PRC Affiliated Entities, we would be able to exercise our rights as a direct or indirect holder of the school sponsor's interest and/or the equity interest in our PRC Affiliated Entities to effect changes in the board of directors of our PRC Affiliated Entities, which in turn could change the management. However, as these Contractual Arrangements stand now, if our PRC Affiliated Entities or the Registered Shareholders breach or fail to perform their respective obligations under these Contractual Arrangements, we cannot exercise the school sponsor's rights and shareholder's rights to direct such corporate action as the direct ownership would otherwise entail.

If the parties under such Contractual Arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over the operations of our PRC Affiliated Entities. If we were to lose effective control over our PRC Affiliated Entities, certain negative consequences would result, including our inability to consolidate the financial results of our PRC Affiliated Entities with our financial results. Given that revenue from our PRC Affiliated Entities constitute all of the total revenue in our consolidated financial statements during the Track Record Period, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Affiliated Entities. In addition, losing effective control over our PRC Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our PRC Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

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

Our control over our PRC Affiliated Entities is based upon the Contractual Arrangements with our PRC Affiliated Entities, the Registered Shareholders and the directors of our College as appointed by our School Sponsor. Our School Sponsor is the direct holder of our school sponsor's interest in our College. The Registered Shareholders are the shareholders of Shanxi Tongcai and also beneficial owners of our Company. Our School Sponsor or the Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand, and our PRC Affiliated Entities on the other hand, the Registered Shareholders will act completely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. If we are unable to resolve such conflicts, including if our PRC Affiliated Entities or the Registered Shareholders breached their contracts or undertakings with us and as a result or otherwise we are subject to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

We may not be able to meet the Qualification Requirement.

Pursuant to the Negative List and the Sino-Foreign Regulation, the foreign investor in a Sino-foreign joint venture higher education, institution must be a foreign educational institution with relevant qualification that provides high quality education (the "**Qualification Requirement**"), holds less than 50% of the capital investment in the Sino-foreign joint venture private school ("**Foreign Ownership Restriction**") and the domestic party shall play a dominant role ("**Foreign Control Restriction**"). According to our consultation with the Department of Education of Shanxi Province, the Department of Education of Shanxi Province will not approve our College or the schools to be newly established or invested by us to be converted into Sino-Foreign Joint Venture Private Schools at this stage. As of the Latest Practicable Date, while we do not meet the Qualification Requirement as we have no experience in operating schools outside of the PRC, we have taken concrete steps to comply with the Qualification Requirement. See "Contractual Arrangements — Background of the Contractual Arrangements — Plan to Comply with the Qualification Requirement" for further details on our plans to comply with the Qualification Requirement.

We cannot assure you that we will meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement. If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may be unable to unwind the Contractual Arrangements by acquiring the school sponsor's interest in our College before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Contractual Arrangements by acquiring the school sponsor's interest in our College before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible for operating schools and forced to cease operation of our College, which could have a material adverse effect on our business, financial condition and results of operations.

Our exercise of the option to acquire the school sponsor's interest in our College and/or equity interest in our School Sponsor (as the case may be) may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the Contractual Arrangements.

We may incur substantial cost on our part to exercise the option to acquire the school sponsor's interests in our College and/or equity interest in our School Sponsor. Pursuant to the Exclusive Call Option Agreement, Shanxi WFOE or its designated purchaser has the exclusive right to purchase all or part of the school sponsor's interest in our College and equity interest of in our School Sponsor at the lowest price permitted under the PRC laws and regulations. In the event that Shanxi WFOE or its designated purchaser acquires the school sponsor's interests or equity interest and the relevant PRC authorities determine that the purchase price for acquiring the school sponsor's interest and/or equity interest is below market value, Shanxi WFOE or its designated purchaser may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Business Cooperation Agreement we have with our PRC Affiliated Entities does not represent an arm's length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may have reason to believe that Shanxi WFOE or PRC Affiliated Entities are dodging their tax obligations, and we may not be able to rectify such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the school sponsor's interest in our College, the equity interests in our School Sponsor and/or property interest and assets of our PRC Affiliated Entities, injunctive relief and/or winding up of our PRC Affiliated Entities.

In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisors that the above-mentioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any school sponsor's interest or equity interest in our PRC Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or school sponsor's interest or equity interest in our PRC Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures.

Our PRC Legal Advisors are also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favor of an aggrieved party) may still not be recognized or enforced by PRC courts. As a result, in the event that any of our PRC Affiliated Entities or the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Affiliated Entities and conduct our education business could be materially and adversely affected. See "Contractual Arrangements — Dispute Resolution" in this document for details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Advisors.

We rely on payments from Shanxi WFOE to pay dividends and other cash distributions to our Shareholders.

Our Company is a holding company and rely principally on dividends paid by our subsidiary in China for our cash needs, including paying dividends and other cash distributions to our Shareholders, servicing any debt we may incur and paying our operating expenses. Shanxi WFOE's income in turn depends on the service fees paid by our PRC Affiliated Entities. Current PRC laws and regulations permit our subsidiary in China to pay dividends to us only out of its accumulated profits, if any, determined in accordance with PRC GAAP and regulations. Under the applicable requirements of PRC laws and regulations, Shanxi WFOE may only distribute after-tax dividends after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. These reserves are not distributable as cash dividends.

Pursuant to the 2016 Decision, sponsors of private school may choose to establish as non-profit or for-profit private schools and will no longer be required to indicate whether they require reasonable returns or not. Sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations, whereas sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and any operation surplus of the schools shall be used for the operation of the schools.

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Shanxi WFOE, which in turn depends on the service fees paid to Shanxi WFOE from our PRC Affiliated Entities. Based on our consultations with the Department of Education of Shanxi Province and Taiyuan Xiaodian District Tax Bureau, State Administration of Taxation, which are the competent authorities to confirm such matters as advised by our PRC Legal Advisors, (i) Shanxi WFOE's right to receive service fees from our PRC Affiliated Entities under the Contractual Arrangements do not contravene the relevant laws and regulations in the PRC; and (ii) payment of service fees under the Contractual Arrangements would not be deemed as paying reasonable returns or distributing profits to the School Sponsor of our College and would not be deemed as misappropriation of the property of the school or illegally obtaining benefits from the school. However, if the relevant PRC government authorities change their policy or take a different view in the future, we cannot assure you there is no risk for any or all of the service fees that have been paid by our PRC Affiliated Entities to Shanxi WFOE, even retrospectively, be confiscated if such service fees are being regarded as operating profit from school operations in violation of PRC laws and regulations. The relevant PRC government authorities may also seek to stop student enrollment at our College or, in a more extreme situation, revoke the operation permits of our College. As a result, our business operations, financial condition and results of operations would be materially and adversely affected.

Our College may be subject to limitations on its ability to operate private education or make payments to related parties.

Pursuant to the 2016 Decision, school sponsors of a private school which provides education services other than compulsory education may choose for the school to be a for-profit private school or a non-profit private school. School sponsors of a for-profit private school are allowed to receive operating profits while school sponsors of a non-profit private school are not allowed to do so. According to the 2016 Decision, private schools will no longer be categorized as schools the school sponsors of which require reasonable returns and schools the school sponsors of which do not require reasonable returns. As the detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit schools have not been promulgated by local governmental authorities, there are uncertainties involved in interpreting and implementing the 2016 Decision with respect to various aspects of the operations of a private school. Therefore, we cannot assure that the detailed rules and regulations to be promulgated by local governmental authorities would not impose restrictions on our ability to operate private schools or to make payments to Shanxi WFOE under the Contractual Arrangements, which may have a material adverse impact on the Group's business operations and prospects.

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

We currently conduct our operations in China through Contractual Arrangements with our PRC Affiliated Entities and the Registered Shareholders. As part of these arrangements, substantially all of our education-related assets that are important to the operation of our business are held by our PRC Affiliated Entities. If any of these PRC Affiliated Entities is wound up, and all or part of their assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than the Registered Shareholders in accordance with the applicable PRC laws and regulations and articles of association of our PRC Affiliated Entities, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, our PRC Affiliated Entities may be required to distribute their assets to other persons of higher priority than the Registered Shareholders, or the owner or unrelated third-party creditors of our PRC Affiliated Entities may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the [**REDACTED**] of our Shares. Pursuant to the Contractual Arrangements, in the event of the dissolution or liquidation of our PRC Affiliated Entities, Shanxi WFOE and/or its designated person shall have the right to exercise all of the school sponsor's rights on behalf of our School Sponsors and shareholder's rights on our School Sponsor and Shanxi WFOE shall instruct all of our PRC Affiliated Entities to transfer assets directly to Shanxi WFOE or other persons designated by our Company before such dissolution or liquidation, however, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

COVID-19 has had a severe and negative impact on the Chinese and the global economies. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macro-economic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

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

In utilizing the [**REDACTED**] of the [**REDACTED**] in the manner described in the section "Future Plans and [**REDACTED**]" in this document as an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC subsidiary or our PRC Affiliated Entities, (ii) make additional capital contributions to our PRC subsidiary, (iii) establish new subsidiaries and make additional new capital contributions to these new PRC subsidiaries, and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals.

For example:

- loans by us to Shanxi WFOE cannot exceed statutory limits and must be registered with SAFE, or its local counterparts;

- loans by us to our PRC Affiliated Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and

- capital contribution to our College must be approved by the MOE and the Ministry of Civil Affairs or their respective local counterparts.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"). SAFE Circular 19 reforms the administration of the settlement of the foreign exchange capital of foreign-invested enterprises by allowing foreign-invested enterprises to settle their foreign exchange capital at their discretion, but it continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scope. On June 9, 2016, SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions over Capital Account Foreign Exchange (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"). SAFE Circular 16 continues to prohibit foreign-invested enterprises from using the RMB funds converted from its foreign exchange capital for expenditures beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate other than for self-use. On October 23, 2019, SAFE issued the Notice of SAFE on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which, among other things, expanded the use of foreign exchange capital to domestic equity investment area. Non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments by using their capital on the premise of no violation of prevailing special administrative measures for access of foreign investments (negative list) and the authenticity and compliance with the regulations of domestic investment projects. SAFE Circular 19 and SAFE Circular 16 and other relevant foreign exchange rules may significantly limit our ability to transfer and use in China the [**REDACTED**] from this [**REDACTED**], which may adversely affect our business, financial conditions and results of operations.

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

Failure by the Shareholders or beneficial owners who are Chinese residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by Chinese residents may prevent us from distributing profits and could expose us and our Chinese resident Shareholders to liability under PRC Laws.

The Circular of the SAFE on Foreign Exchange Administration of Overseas Investment and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular No. 37**"), which was promulgated and became effective on 4 July 2014, requires a domestic institution or individual resident (a "**Domestic Resident**") to file a "Registration Form of Overseas Investments Contributed by Domestic Individual Residents" and register with the local SAFE branch before he/she contributes assets or capital to an offshore special purpose vehicle established for the purpose of offshore investment and financing, utilizing assets or interests (onshore or offshore) (an "**Offshore SPV**") legally held by the Domestic Resident. Following the initial registration, a Domestic Resident is also required to register with the local SAFE branch any major change in respect of an Offshore SPV, including, among other things, any major change of the Offshore SPV's Domestic Resident shareholder, name of the Offshore SPV, term of operation, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, and merger or division. Failure to comply with the registration procedures of Circular No. 37 may result in penalties, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent. Pursuant to Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular No. 13**"), which was promulgated on February 13, 2015 and implemented on June 1, 2015, the foreign exchange registration for establishing or taking control of an Offshore SPV by Domestic Residents are required to be conducted with a qualified bank, instead of the local SAFE branch.

As of the Latest Practicable Date, all of our Domestic Resident beneficial owners (i.e. Mr. Niu Sanping and Mr. Niu Jian) have completed the registration with qualified banks in accordance with Circular No. 37 and Circular No. 13. However, we cannot guarantee you that all of our Domestic Resident Beneficial Owners will comply with Circular No. 37 and Circular No. 13 registration requirements, including updating their registration pursuant to relevant requirements or registration by future beneficial owners who are domestic residents, which is out of our control. Any failure by our domestic resident beneficial owners to register with qualified banks and comply with registration requirements pursuant to Circular No. 37 and Circular No. 13 or update their filing, or the failure of future beneficial owners who are domestic residents to comply with the registration requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our Chinese subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our Shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A majority of our senior management members reside in the PRC, and substantially all of our assets, and substantially all of the assets of our senior management are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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

Under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organizational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "SAT Circular 82"), on April 22, 2009 and last amended December 29, 2012. SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed as having its de facto management body inside China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on July 27, 2011, effective September 1, 2011 and last amended on June 15, 2018, providing more guidance on the implementation of SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

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

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

Heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or offshore restructuring.

On February 3, 2015, SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**"), which heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**") and stipulated that tax authorities in the PRC are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of an equity interest in an overseas holding company which directly or indirectly hold the PRC Taxable Assets, by disregarding the existence of the overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, would deem such transfer to have been made for the purpose of evading PRC enterprises income tax and without any reasonable commercial purpose.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions, future acquisitions or sale of the shares of our offshore subsidiaries, where non-resident enterprise transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

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

Immediately following the completion of the [**REDACTED**], our Controlling Shareholders will control [**REDACTED**]% of our total issued share capital (assuming the [**REDACTED**] is not exercised). Accordingly, the Controlling Shareholders will, for the foreseeable future, through their voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board, selection of our senior management, amount and timing of dividends and other distributions, our overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, amendment to our memorandum and articles of association, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may affect our other Shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of the Controlling Shareholders in the future, the Controlling Shareholders may exercise control over our Company in ways that conflict with the interests of our other Shareholders, and minority Shareholders could be disadvantaged.

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

Prior to the [**REDACTED**], there has been no public market for our Shares. The [**REDACTED**] for our Shares was the result of negotiations among us and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**] our Shares on the Stock Exchange. There is no assurance that the [**REDACTED**] will result in the development of an active, liquid [**REDACTED**] for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and [**REDACTED**] at which our Shares will be [**REDACTED**].

The liquidity, [REDACTED] and [REDACTED] of our Shares following the [REDACTED] may be volatile.

The [**REDACTED**] at which our Shares will [**REDACTED**] after the [**REDACTED**] will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we operate and compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;

- the valuation of [**REDACTED**] that are engaged in business activities similar to ours;
- general market sentiment regarding the PRC education industry;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

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

Because the [REDACTED] per Share is higher than the net tangible book value per Share, purchasers of our Shares in the [REDACTED] will experience immediate dilution.

The [**REDACTED**] of our [**REDACTED**] is higher than the net tangible book value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK$[**REDACTED**] per [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**], existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per [**REDACTED**] of their Shares. If we issue additional Shares in the future, purchasers of our [**REDACTED**] may experience further dilution.

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

Sales of substantial amounts of Shares in the public market after the completion of the [**REDACTED**], or the perception that these sales could occur, could adversely affect the [**REDACTED**] of our Shares. There will be [**REDACTED**] Shares outstanding immediately following the [**REDACTED**], assuming no exercise of the [**REDACTED**]. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the [**REDACTED**]. See "[**REDACTED**]" for more information. However, the [**REDACTED**] may release these securities from these restrictions at any time and such Shares will be freely [**REDACTED**] after the expiry of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately [**REDACTED**]% of the total issued share capital immediately following the [**REDACTED**] (assuming no exercise of the [**REDACTED**]) and will be freely tradable immediately following the [**REDACTED**].

Since there will be a gap of several days between [REDACTED], holders of our Shares are subject to the risk that [REDACTED].

[**REDACTED**]

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT PRESENCE

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

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

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

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

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

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

CONTINUING CONNECTED TRANSACTIONS

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

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

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Chairman and executive Director		
Mr. Niu Sanping (牛三平)	C2-1-201 Kaiyuan Community Xiaodian District Taiyuan City Shanxi Province the PRC	Chinese
Executive Directors		
Mr. Niu Jian (牛健)	Room 1402, Building 9 Xiangtanyihao Taiyuan City Shanxi Province the PRC	Chinese
Mr. Niu Xiaojun (牛小軍)	No. 99, Wuchengnanlu Xiaodian District Taiyuan City Shanxi Province the PRC	Chinese
Ms. Zhang Zhonghua (張中華)	202, Unit 1, Building 3 Yinhai Xinyue Community Yuci District Jinzhong City Shanxi Province the PRC	Chinese
Independent non-executive Directors		
Mr. Zan Zhihong (昝志宏)	702, Unit 6, Building 8 Zone B, Zhenguanyuan Community Xiaodian District Taiyuan City Shanxi Province the PRC	Chinese

Name	**Address**	**Nationality**
Mr. Hu Yuting (胡玉亭)	Flat 1704, Unit 3, Building 3 Wanshuilanting Community No. 2 Nanneihuanxijie Wanbolin District Taiyuan City Shanxi Province the PRC	Chinese
Mr. Yau Wai Man Philip (邱偉文)	22 Warren Road Purley Surrey England United Kingdom	Chinese

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

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Guotai Junan Capital Limited** 26-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	[REDACTED]
Legal advisors to our Company	*As to Hong Kong law:* **Morgan, Lewis & Bockius** Suites 1902-09, 19/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong

	As to PRC law: **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing the PRC
	As to Cayman Islands law: **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Jingtian & Gongcheng LLP** Suites 3203-3207, 32/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC law: **Global Law Office** 27th Floor, Tower B China Resources Land Building No. 9668 Shennan Avenue Nanshan District Shenzhen the PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Industry consultant	**Frost & Sullivan** **(Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai the PRC
Property valuer	**Vincorn Consulting and Appraisal Limited** Units 1602-4, 16/F, FWD Financial Centre No. 308 Des Voeux Road Central Hong Kong
	[**REDACTED**]
Compliance advisor	**Sinolink Securities (Hong Kong) Company Limited** Unit 2505-06, 25/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Sertus Chambers Governors Square Suite # 5-204 23 Lime Tree Bay Avenue P.O. Box 2547 Grand Cayman, KY1-1104 Cayman Islands
Headquarters and principal place of business in PRC	No. 99 Wucheng South Road Xiaodian District Taiyuan City Shanxi Province the PRC
Principal place of business in Hong Kong	Unit A1 of Unit A, 11/F Success Commercial Building 245-251 Hennessy Road Hong Kong
Company's website	**http://chinageg.cn** *(information contained in this website does not form part of the document)*
Company secretary	Mr. Zhang Senquan (張森泉) *HKICPA* Flat B, 22F Tower 16, Pacific Palisades No.1 Braemar Hill Road North Point Hong Kong
Authorized representatives	Mr. Niu Jian (牛健) Room 1402, Building 9 Xiangtanyihao Taiyuan Shanxi Province the PRC Mr. Zhang Senquan (張森泉) *HKICPA* Flat B, 22F Tower 16, Pacific Palisades No.1 Braemar Hill Road North Point Hong Kong

Audit committee	Mr. Yau Wai Man Philip (邱偉文) *(Chairman)* Mr. Zan Zhihong (昝志宏) Mr. Hu Yuting (胡玉亭)
Remuneration committee	Mr. Hu Yuting (胡玉亭) *(Chairman)* Mr. Yau Wai Man Philip (邱偉文) Mr. Niu Jian (牛健)
Nomination committee	Mr. Niu Sanping (牛三平) *(Chairman)* Mr. Zan Zhihong (昝志宏) Mr. Hu Yuting (胡玉亭)
Principal Banks	**Shanghai Pudong Development Bank (Taiyuan City, High-tech Industrial Development Zone Branch)** No. 434, Pingyang Road Xiaodian District Taiyuan City Shanxi Province the PRC

[**REDACTED**]

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

SOURCE OF INFORMATION

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

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

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

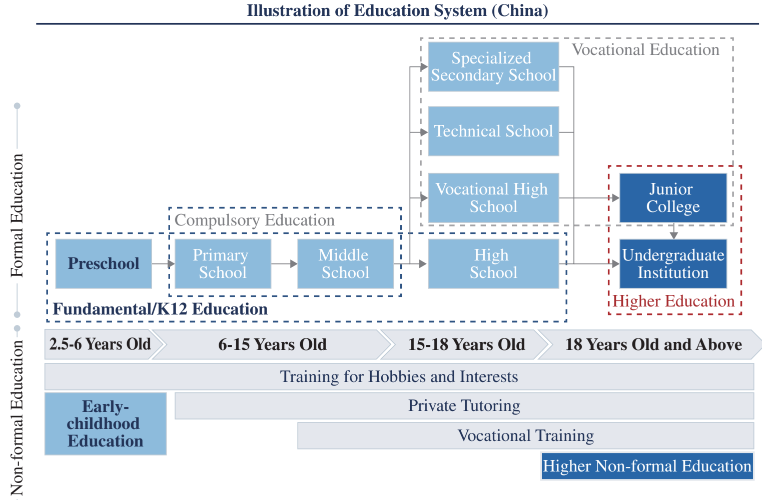
Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there is no adverse change in the market information since the date of publication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

OVERVIEW OF THE EDUCATION SYSTEM IN CHINA

Overview

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

Illustration of Education System (China)



Source: Frost & Sullivan

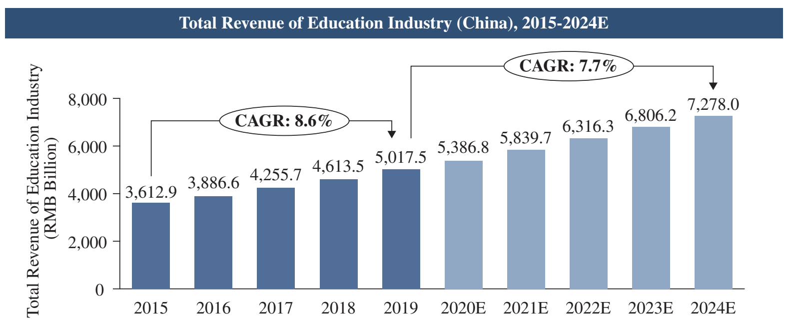
Note:

1. Within formal education system, the overview only covers regular formal education, while adult education, which belongs to formal education according to MOE's classification, is not specifically covered.

2. Undergraduate institution refers to the institution provide bachelor's or higher degrees as well as junior college diplomas, including university/college and independent college.

Market Size

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



Source: MOE, Frost & Sullivan

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

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

Development Trends

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

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

- Rising demand for education as the school-age population grows: The One-Child Policy has been relaxed and the Two-Child Policy was implemented in 2015, which led to an increase in the crude birth rate in China from 2010 to 2016. However, according to National Bureau of Statistics of China, the birth rate decreased from 2017 to 2019 due to the fall in the number of women of childbearing age and lower desire of giving birth. According to the Frost & Sullivan Report, the decline in the birth rate will begin to show on the preschool-age population in 2019 and on higher education age groups in later years, but the overall growth of the school-age population will likely continue to drive China's overall education market to grow in the forecast period.

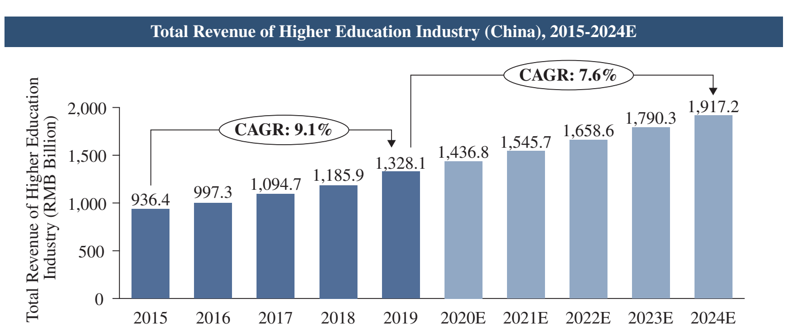
- Governmental support, including promulgation of policies favorable to the development of education in China and a national development plan, the "National Medium-to-Long Term Educational Reform and Development Plan", pursuant to which the government will continue to increase financial investment in education and encourage both public and private education in the near future. The PRC central government is likely to welcome more private capital in the educational system to achieve more efficiency. Large-scale private education groups likely being favored according to the Frost & Sullivan Report.

OVERVIEW OF THE HIGHER EDUCATION INDUSTRY IN CHINA

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

Market Size

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

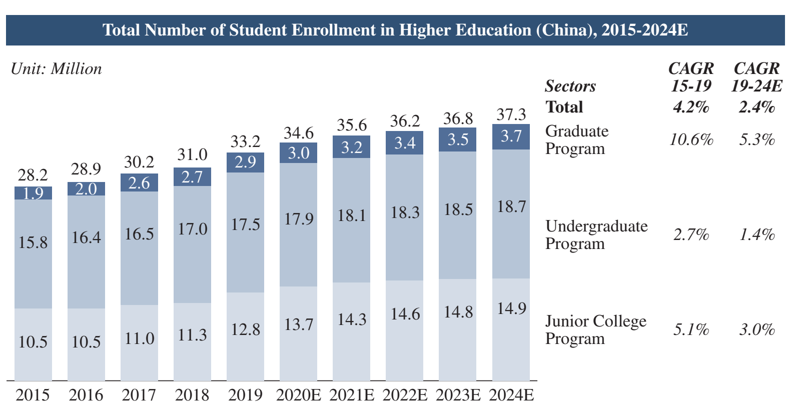


Source: MOE, Frost & Sullivan

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

Student Enrollment and Number of Graduates

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



Source: MOE, Frost & Sullivan

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

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

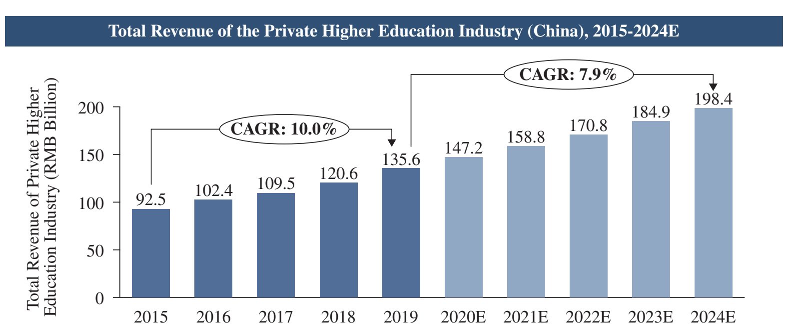
The increase in student enrollment and enrollment rates in higher education institutions in China has also been reflected in an increasing number of graduating students from these institutions. According to the Frost & Sullivan Report, the total number of graduates from higher education institutions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

OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN CHINA

The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as relevant government authorities made great efforts to develop the regulatory framework for private higher education, according to the Frost & Sullivan Report. Private institutions of higher education in China include private regular junior colleges (民辦普通專科學院), which provide junior college diplomas to graduating students, private regular universities or colleges (民辦普通大學或學院), which in addition to junior college diplomas can also provide bachelor's or higher degrees to graduating students and independent colleges (獨立學院), which though run by non-governmental institutions or individuals, cooperate with public universities and colleges offering undergraduate courses.

Market Size

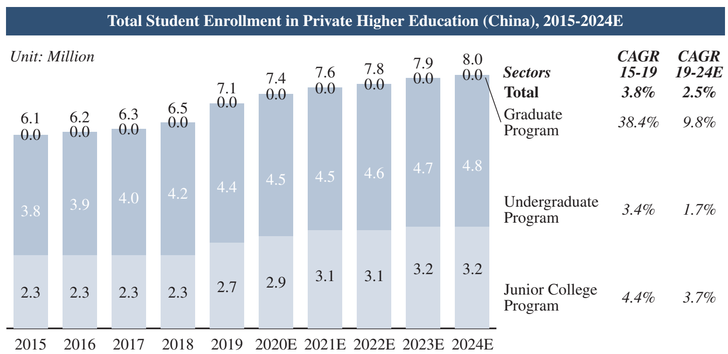
According to the Frost & Sullivan Report, total revenue for the private higher education industry has been increasing steadily from RMB92.5 billion in 2015 to RMB135.6 billion in 2019, representing a CAGR of 10.0%, and is expected to continue to increase to RMB198.4 billion in 2024, representing a CAGR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



Source: MOE, Frost & Sullivan

Student Enrollment

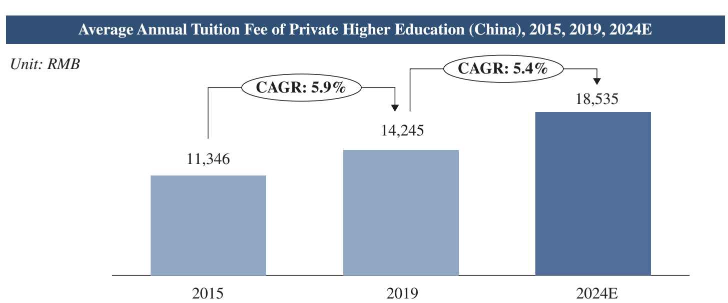
According to the Frost & Sullivan Report, total student enrollment in private higher education in China increased from 6.1 million in 2015 to 7.1 million in 2019, representing a CAGR of 3.8%, and is expected to continue to increase to reach 8.0 million in 2024, representing a CAGR of 2.5% from 2019 to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



Source: MOE, Frost & Sullivan

Tuition Fees

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

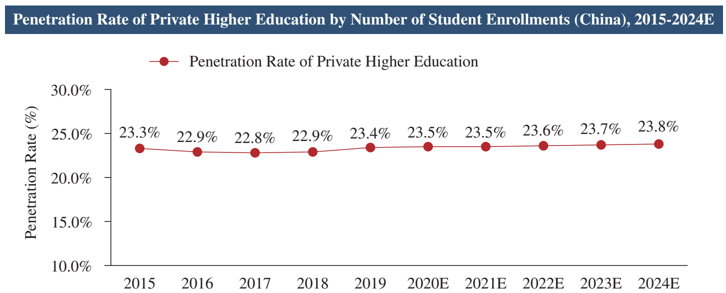


Source: MOE, Frost & Sullivan

Penetration Rate of Private Higher Education

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

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



Source: MOE, Frost & Sullivan

Market Drivers

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

- *Increasing wealth and demand for higher education:* With the increase in household income and improvement of living conditions in China, the public has paid more attention to literary and cultural activities and has become more aware of the importance of education. According to the Frost & Sullivan Report, this trend is expected to continue to drive increases in China's higher education student enrollment rate, and as the development of public educational resources is likely to remain relatively stable, private education is expected to gain ground for development to fill in the gap and therefore experience growth.

- *Growing market demand for application-oriented talent:* As China's economy continues to develop, the Chinese market needs more application-oriented talent in many areas. As public higher education tends to focus on academic training, there is a significant lack of skilled and well-trained frontline workforce in China, according to the Frost & Sullivan Report. The growing market demand for technical talent is expected to attract more students to private higher education, which focuses more on professional education.

- *Increasing diversification and improved quality of education:* The quality of private formal higher education is continuously improving. The emergence and development of leading private universities, which offer high-quality education programs, indicates an upgrade of the private higher education market in China. Meanwhile, private education institutions that focus on professional education are expanding course offerings and increasing the level of specialization in numerous areas. Such developments are expected to attract more students and drive the growth of the higher education market on a long-term basis.

- *Government support:* The PRC government has released a number of policies, such as the Notification of Enhancing the Management and Conducting the Development of Non-Governmental Colleges and Universities by the General Office of the State Council of PRC (《國務院辦公廳關於加強民辦高校規範管理引導民辦高等教育健康發展的通知》) which was promulgated to implement preferential tax policies and other incentive policies for private education, the Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) which set out market regulated prices applying to for-profit private institutions and the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) which was promulgated to actively encourage, vigorously support and correctly guide the development of private education. These policies and regulations support the growth of the market.

Development Trends

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

- *Increasing number of private universities:* Supported by the private education operators' increasing ability to integrate quality academic and capital resources, as well as their continuous improvements in quality, and attributed to the Chinese people's increasing demand for higher degrees and increased spending on education, there is expected to be a market trend for independent colleges to transform into private universities.

- *Industry consolidation:* China's higher education market is expected to experience increasing consolidation as the leading players continue to develop using a primary strategy of pursuing growth through mergers and acquisitions, which is preferred due to the stringent legal requirements applicable to, and the large amount of required capital and long preparation period necessary for the establishment of new universities.

- *Better match of talent cultivation objective and market demand:* A number of private universities focus on providing technical knowledge and skills in the areas of applied sciences and technology. This focus is in line with job market trends as students with strong practical skills are expected to be in considerable demand in China's employment market. The PRC government is expected to further increase its support for the development of application-oriented higher education and relevant institutions.

Main Threats

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

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

- *Increasing competition:* Participants in the private higher education industry in China confront increasingly fierce competition. As a result, the PRC private higher education industry is expected to experience increasing consolidation and acquisitions. Those participants that cannot adapt to rapid evolution in the industry are likely to be weeded out.

- *Higher acceptance of public schools than private schools:* Private higher education has a relatively short history in China compared with public higher education. Generally, students and parents have higher acceptance of public schools than private schools. Private schools will need to gain wider acceptance among the general public in China, especially among students and their parents, to compete with public schools.

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

Entry Barriers for Private Higher Education in China

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

- *Approval of the government:* School operators in China are required to obtain and maintain a number of approvals, licenses and permits and comply with specific registration, filing and qualification requirements, including requirements on registered capital, total assets, availability of land and the number of minimum student enrollment, as well as teaching staff qualification. Additionally, the establishment of a private school in China is also subject to the satisfactory of various prerequisites under relevant laws and regulations in the PRC, including but not limited to Regulations on Establishment and Management of Independent Colleges (《獨立學院設置與管理辦法》) and Tentative Regulations on Establishment of Regular Universities (《普通本科學校設置暫行規定》). The lengthy, complex and uncertain application process has become a natural entry barriers especially for new school operators;

- *Sufficient initial capital and investment:* Establishing a new school in China requires large capital investment for the construction of school campuses and facilities as well as other related expenses, both initially and generally on an on-going basis. Therefore, the ability for school operators to secure sufficient and durative capital is critical;

- *Availability of land and relevant facilities:* To meet various requirements of teaching and extracurricular activities, schools generally need significant land resources to build teaching and other relevant facilities. The land resources are usually granted by the local governments or obtained through leasing. With the limited supply of available land resources and rising lease expenses of current land resources, it is becoming more and more difficult to obtain additional land resources;

- *Availability of qualified teachers:* The structural adjustment of China's higher education industry to better match talent cultivation with market demand has meant that qualified teachers with relevant practical industry experience and know-how are in great demand. This presents a difficulty for new participants who do not have sufficient access to such resources, to enter the market;

- *Brand awareness and source of students:* Students' and their parents' inclination to obtain education at well-known schools with a long history and well-established reputation, which takes time to achieve, poses obstacles for new entrants to attract sufficient students; and

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

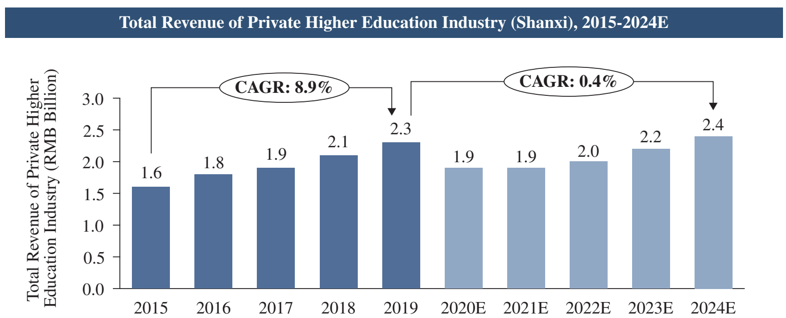
OVERVIEW OF THE PRIVATE HIGHER EDUCATION INDUSTRY IN SHANXI PROVINCE

Market Size

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

Total revenue for the private higher education industry in Shanxi Province grew rapidly from RMB1.6 billion in 2015 to RMB2.3 billion in 2019, representing a CAGR of 8.9%. In addition to increasing student enrollment, thanks to the increase in disposable income and regulation allowing for market pricing of non-profit private higher education, the continuing growth of tuition and miscellaneous fees have contributed to the steady growth of total revenue of private higher education in Shanxi Province. In 2020, two independent colleges in Shanxi Province were transformed to become public higher education institutions, resulting in a decline in the total revenue of private higher education for the year. In addition, according to the "Report of Department of Education of Shanxi Province on the

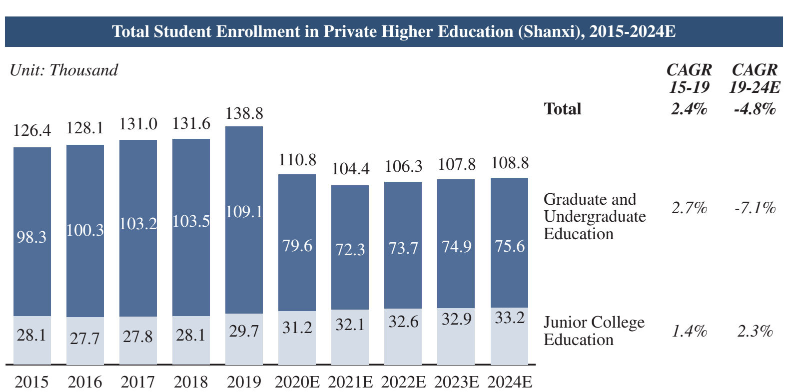
Transfer of Independent college" (《山西省教育廳關於全省獨立學院轉設的報告》), another independent college is expected to be transformed to become a public higher education institution in 2021. After an adjustment period to such transformation of independent colleges, the total revenue of private higher education in Shanxi is expected to maintain steady growth and reach RMB2.4 billion in 2024, representing a CAGR of 0.4% from 2019 to 2024. Private higher education accounted for 9.9% of the overall higher education industry in Shanxi Province in terms of revenue in 2019. The chart below illustrates the total revenue for the private higher education industry in Shanxi Province from 2015 to 2024:



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

Student Enrollment

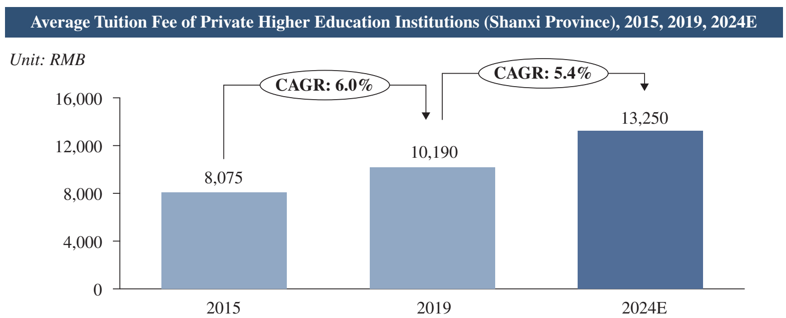
According to the Frost & Sullivan Report, from 2015 to 2019, total student enrollment in the private higher education industry in Shanxi Province increased from 126.4 thousand to 138.8 thousand, representing a CAGR of 2.4%. Due to the transformation of independent colleges to public higher education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



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

Tuition Fees

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



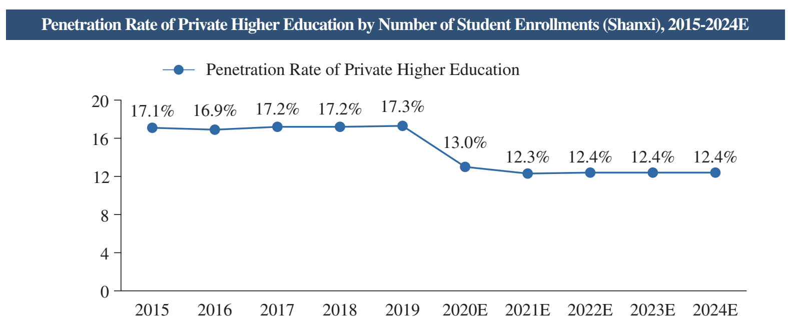
Source: Department of Education of Shanxi Province, Frost & Sullivan

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

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

Penetration Rate of Private Higher Education

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

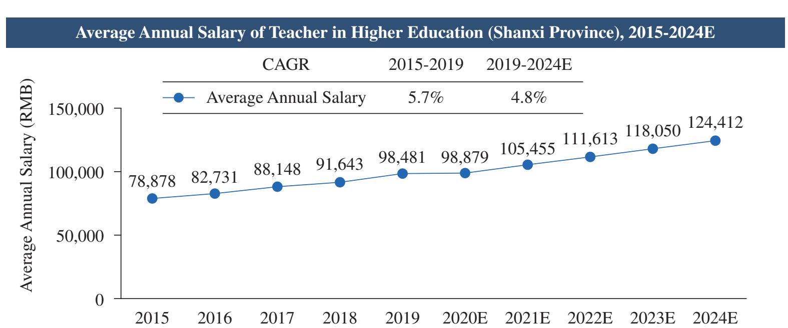


Note: *The penetration rate of private higher education refers to the student enrollment in private undergraduate education and junior college education divided by student enrollment in total undergraduate education and junior college education.*

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

Teacher Salaries

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



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

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

The Competitive Landscape in Shanxi Province

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

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

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

Note:

1) Student enrollment in private higher education only refers to full-time students, excluding continuing education, adult education, non-degree education (technical diploma), etc.

2) The Group's data is based on the Group's internal data.

3) School B is an independent college located in Jinzhong primarily offering bachelor's degree programs.

4) School C is a private university located in Taiyuan primarily offering bachelor's degree programs.

5) School D is an independent college located in Jinzhong primarily offering bachelor's degree programs.

6) School E is an independent college located in Linfen primarily offering bachelor's degree programs.

Source: Frost & Sullivan

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

FOREIGN INVESTMENT IN THE PRC

Foreign Investment Industries Guidance and the 2020 Negative List

According to Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment shall fall into four categories, namely, encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment shall be listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the "**Guidance Catalogue**"), which may be revised and promulgated by the relevant departments of the State Council from time to time, while any project not listed in the catalogue is deemed to be a encouraged project for foreign investment.

The Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), which was promulgated on June 30, 2019 and came into effect on July 30, 2019, replaced the encouraged industries in the Guidance Catalogue. Listed projects are deemed to be permitted projects for foreign investment.

On June 23, 2020, the NDRC and the MOFCOM issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)》(2020年版)) (the "**2020 Negative List**") with effect from July 23, 2020. The 2020 Negative List sets out the areas where foreign investment is prohibited and the areas where foreign investment is allowed only on certain conditions. Unless otherwise provided in other laws, foreign investment in areas not listed on the 2020 Negative List is permitted and treated equally with domestic investment.

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

Regulations on Foreign Investment

The Foreign Investment Law was adopted by the National People's Congress on March 15, 2019. It took effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law sets out the definitions of foreign investment and the framework for promotion, protection and administration of foreign investment activities.

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

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of national treatment plus negative list system, foreign investment information report system and security review system. The said systems, together with other administration measures stipulated under the Foreign Investment Law, constitute the framework of foreign investment administration. Under the national treatment plus negative list system, foreign investors shall not invest in any field prohibited by the negative list and shall meet the investment conditions stipulated for any field restricted by the negative list; while for foreign investments outside the negative list, national treatment will be given.

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

On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (《外商投資法實施條例》) (the "**Implementation Regulations**"), which came into effect on January 1, 2020. Pursuant to the Implementation Regulations, if an existing foreign-invested enterprise fails to change their form of organization and complete the formalities for change of registration before January 1, 2025, the relevant market regulation departments shall not process the application for any other registration matter of the foreign-invested enterprise and may disclose the relevant information. The Implementation Regulations further requires that foreign-invested enterprises and domestic enterprises shall be treated equally with respect to policy making and implementation.

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

Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017 and June 29, 2018, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the competent commercial authorities.

On December 30, 2019, MOFCOM and the SAMR jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "**Foreign Investment Information Measures**"), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises. Beginning from January 1, 2020, when foreign investors carry out investment activities directly or indirectly in China, foreign investors or foreign-invested enterprises shall submit information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the SAMR. Specifically, foreign investors or foreign-invested enterprises shall report their establishments, modifications and cancelations and file their annual reports in accordance with the

Foreign Investment Information Measures. When a foreign-invested enterprise has completed filing of such reports, the relevant information will be passed by the competent market regulation department to the competent commercial department, so the reports do not need to be submitted separately.

On December 19, 2020, the NDRC promulgated Measures for Security Review of Foreign Investment (《外商投資安全審查辦法》) ("**Measures**"), with an effective date of January 18, 2021. Pursuant to the Measures, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the Measures. "Foreign investment" refers to (i) a foreign investor, solely or jointly with any other investor, investing in the construction of a new project or the establishment of an enterprise in the PRC; (ii) a foreign investor, by means of merger and acquisition, acquiring the equity or assets of any enterprise in the PRC; and (iii) a foreign investor making investment in the PRC by other means. The Foreign Investment Security Review Mechanism (外商投資安全審查工作機制, the "**Security Review Mechanism**") in charge of organization, coordination and guidance of foreign investment security review is thereunder established. A working mechanism office shall be established under the NDRC and led by the NDRC and the MOFCOM to undertake routine work on the security review of foreign investment. According to the Security Review Mechanism, foreign investment activities falling in the scope such as important cultural products and services, important information technologies and internet products and services, important financial services, key technologies and other important fields that concern state security while obtaining the actual control over the enterprises invested in, a foreign investor or a party concerned in the PRC shall take the initiative to make a declaration to the working mechanism office prior to making the investment. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group has not been involved in such activities. Therefore, the Group was not subject to the Measures during the Track Record Period and up to the Latest Practicable Date.

Regulations on Sino-foreign Investment in Operating Schools

Pursuant to the 2020 Negative List, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party. Further, the domestic party shall play a dominant role in the cooperation, which means the headmaster or other chief executive officer of the schools shall be a PRC national and representatives of the domestic party shall be at least half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》) (the "**Regulation on Operating Sino-foreign Schools**"), which was promulgated by the State Council on March 1, 2003 and became effective on September 1, 2003 and amended on July 18, 2013 and March 2, 2019, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), and the Implementing Rules for the Regulations on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例實施辦法》) (the "**Implementing Rules**") issued by the MOE on June 2, 2004 and became effective on July 1, 2004.

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

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign education institute shall be less than 50%.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the National People's Congress of the PRC enacted the Education Law of the PRC (《中華人民共和國教育法》) (the "**Education Law**"), which was amended on August 27, 2009, June 1, 2016 and April 30, 2021. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, primary education, secondary education and higher education, a system of compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other institutions of education and provides that, in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of institution of education in accordance with PRC laws and regulations.

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

Regulations on higher education

According to the Higher Education Law of the PRC (《中華人民共和國高等教育法》), which was promulgated on August 29, 1998 and was then amended on December 27, 2015 and December 29, 2018, higher education includes education for academic qualifications and education for non-academic qualifications. Higher educational institutions are universities, independent colleges, and specialized higher education schools, including higher vocational schools and higher education schools for adults. The establishment of higher educational institutions for undergraduate program and above shall be subject to examination and approval by the administrative department for education under the State Council, the establishment of higher educational institutions for junior college program shall be subject to examination and approval by the people's governments of provinces, autonomous regions and municipalities as authorized by the State Council. The establishment of other higher education organizations shall be subject to examination and approval by the administrative department for education under the people's governments of provinces, autonomous regions and municipalities directly under the PRC Government. Higher education for academic qualifications includes junior college program, undergraduate program and graduate program. Higher education shall be conducted by higher educational institutions and other higher education organizations. Higher educational institutions shall be established in accordance with state plans for the development of higher education and in keeping with the interests of the state and the public. Universities and independent colleges shall mainly conduct undergraduate program and education at a still higher level. Specialized higher education schools shall conduct junior college program. With the approval of the administrative department for education under the State Council, research institutes may undertake graduate programs. Other higher education organizations shall conduct higher education for non-academic qualifications. Universities and independent colleges shall, in addition, possess a better teaching and research team, to achieve a higher level of teaching and research, and operate with a necessary scale of students, so that they can offer undergraduate program and education at a higher level. Moreover, universities shall offer at least three categories of subjects designated by the state as the main courses.

Further, the MOE issued the Several Provisions on the Administration of Private Colleges and Universities (《民辦高等學校辦學管理若干規定》) on February 3, 2007, which was amended on November 10, 2015, pursuant to which the conditions for running private colleges and universities shall conform to the establishment standards as prescribed by the state and the basic indicators for running regular colleges and universities. The investors of a private college or university shall, under the Law for Promoting Private Education of the PRC and its Implementation Rules, timely and fully perform the capital contribution obligation. No private college or university may engage in educational and teaching activities in any place other than that as specified in the license for running private education, or establish any branch, or rent or lend to others its license for running private education. The principal of a private college or university shall satisfy the appointment requirements of the state and shall have ten or more years of experience of administration of higher education and shall not be over 70 years old. The term of office of a principal shall be four years in principle.

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

The Law for Promoting Private Education of the PRC became effective on September 1, 2003 and was amended on June 29, 2013, November 7, 2016 and December 29, 2018, and the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004 and was further amended on May 14, 2021. Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements of the Education Law and relevant laws and regulations. The standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School (民辦學校辦學許可證), and shall be registered with the Ministry of Civil Affairs of the PRC (the "**MCA**") or its local counterparts as a privately run non-enterprise institution (民辦非企業單位).

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish the executive council, the board of directors or any other form of the decision-making body and such decision-making body shall meet at least twice a year. Private schools engaging in higher education and secondary vocational and technical degree education may, according to their purposes and aims, set up majors, offer curriculums and select textbooks by itself. Private schools implementing compulsory education shall not use overseas teaching materials. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the post as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and other relevant laws and regulations. There shall also be a definite number of full-time teachers in a private school, and for private schools offering academic qualifications education, full-time teachers shall account for not less than one-third of the total number of the teachers. See "Business — Potential Impact on us of the 2016 Decision and the 2021 Implementing Regulations" for more details.

Entities and individuals that establish private schools are commonly referred to as "sponsors" instead of "owners" and "shareholders" in PRC laws and regulations. The economic substance of "sponsorship" with respect of private schools is substantially similar to that of ownership with regard to legal, regulatory and tax matters. A sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights. The capital contributed by the sponsor becomes an asset of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school's decision-making body. Specifically, the sponsor has control over the private school's constitutional documents and has the right to elect and replace the private school's decision-making bodies, such as the school's board of directors, and therefore controls the private school's business and affairs.

On November 7, 2016, the NPC Standing Committee published the 2016 Decision, which became effective on September 1, 2017. In accordance with the 2016 Decision, sponsors of the private school are allowed to register and operate the school as a for-profit (the "**For-Profit Private Schools**") or a non-profit private school (the "**Non-Profit Private Schools**") as long as a private school does not provide compulsory education. Sponsors of For-Profit Private Schools are allowed to receive income from the operation of the school and the balance of running such school is permitted to be handled in accordance with the PRC Company Law and other relevant laws and administrative regulations. While sponsors of Non-Profit Private Schools are prohibited from receiving income from the operation of the school, the balance of running such schools shall be only used for the operation of the schools.

Furthermore, the remaining assets upon liquidation of For-Profit Private Schools are permitted to be handled in accordance with the relevant provisions of the PRC Company Law and that of Non-Profit Private Schools shall only be used for the operation of other Non-Profit Private Schools.

For-Profit Private Schools are entitled to make their own decisions about the fees collection in accordance with the market situations, while the fees collection of Non-Profit Private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government. In addition, private schools are entitled to tax preferential policies and land policies in accordance with the PRC laws, with the emphasis that Non-Profit Private Schools shall enjoy the tax preferential policies and land policies equivalent to those applicable to public schools.

If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as Non-Profit Private Schools, they shall procure the school to amend its articles of association in accordance with the 2016 Decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such Non-Profit Private Schools, the government authority may grant some compensation or reward from the remaining assets of the schools upon their liquidation to the school sponsors who have made capital contribution to such schools based on their applications, and then apply the rest of the assets to the operation of other Non-Profit Private Schools. If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as For-Profit Private Schools, the schools shall go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

In addition, where an organization or individual establishes or operates a private school without authorization, it/he shall be ordered by the relevant administrative department of the government to cease operation of the school and return the fees collected, and shall be fined not less than one time but not more than five times of the illegal gains. If a sponsor's act is found to violate the administration of public security, the sponsor shall be subject to a penalty imposed by the public security authority according to the law. If a sponsor's act constitutes a crime, the sponsor shall be subject to criminal liabilities according to the law.

Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education

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

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

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

Implementing Measures on Classification Registration of Private Schools

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

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

The Classification Registration Rules are also applicable to existing private schools. If an Existing Private School chooses to register as a Non-Profit Private School, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities. If an existing private school chooses to register as a For-Profit Private School, it shall make financial settlement, clarify the ownership of the schools' land, buildings and capital accumulations generated from school-running operations and pay the relevant taxes and fees, obtain new school permits, carry out their re-registration and continue their school operation. The provincial people's government is responsible for formulating the detailed measures on the alteration of the registration of the private schools in accordance with national laws and the local circumstances.

On December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province, the Department of Civil Affairs of Shanxi Province, the Office of the Organization Committee of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures of Classified Registration of Private Schools in Shanxi Province (《山西省民辦學校分類登記實施辦法》), which includes the requirements and procedures of approval for establishment, classified registration, change of registered events, termination and cancelation of registration, classified registration of existing private schools. For an existing private school, if it chooses to register as a Non-Profit Private School, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities; if it chooses to register as For-Profit Private School, it shall make financial settlement, clarify the ownership of the schools' land, buildings and capital accumulations generated from school-running operations and pay the relevant taxes and fees, the capital contribution of the sponsor before the liquidation shall be the paid-in capital, the asset appreciation, school accumulation, creditor or debtor's rights and obligations shall be borne by the private school after the re-registration unless otherwise specified, the private school shall also apply for registering as a for-profit private school and obtain the Permit for operating a Private School, and then register with the local branch of the SAMR.

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

On December 30, 2016, the MOE, the SAIC and the Ministry of Human Resources and Social Security jointly issued the Implementation Rules on the Supervision and Administration of For-Profit Private Schools (《營利性民辦學校監督管理實施細則》), which details the supervision and administration of For-Profit Private Schools regarding the establishment of schools, the organization structure, the education and teaching activities, finance and assets, the information publication, the change and termination of schools and the penalties for violation.

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

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

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

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

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

On December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province (《山西省營利性民辦學校監督管理實施辦法》), which resembles the rules at the national level to a large extent.

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

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

The Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》) (the "**Private Education Fees Collection Measures**") was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security) on March 2, 2005 and took effect from April 2, 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education of the PRC, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by education authorities or the labor and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the fee charge permit. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws. On March 12, 2020, the NDRC abolished the Private Education Fees Collection Measures.

Notice on the Cancelation of the Fee Charge Permit System and Strengthening the Supervision

According to the Notice on the Cancelation of the Fee Charge Permit System and Strengthening the Supervision (《國家發展和改革委員會、財政部關於取消收費許可證制度加強事中事後監管的通知》), which was jointly promulgated by the NDRC and the MOF on January 9, 2015, the annual review system of Fee Charge Permit Certificate shall be abolished nationwide from January 1, 2015, and the system of Fee Charge Permit Certificate shall be abolished nationwide from January 1, 2016.

On October 12, 2015, the Central Committee of Communist Party of China and the State Council jointly issued the Certain Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform (《中共中央、國務院關於推進價格機制改革的若干意見》), which allows For-Profit Private Schools to set their tuition fees, while the tuition-collecting policies of Non-Profit Private Schools shall be determined by the provincial governments in a market-oriented manner, taking into account of the local conditions.

According to the Notice on Further Standardizing the Collection of Education Fees of Non-Profit Private Schools (《關於進一步規範非營利性民辦學校學歷教育收費的通知》), which was jointly promulgated by the Development and Reform Commission of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province on October 29, 2019, the education fees collected by Non-Profit Private Schools include tuition fees and boarding fees, and Non-Profit Private Schools can refer to the relevant regulations of public schools at the same level to provide students with optional service charge items and substitute charge items on the premise of students' willingness.

Pursuant to the Opinions on Further Strengthening and Standardizing the Management of Education Fees (《關於進一步加強和規範教育收費管理的意見》), which was promulgated on August 17, 2020, the specific methods for Non-Profit Private Schools' fees shall be formulated by the provincial people's government; the fees of For-Profit Private Schools shall be regulated by the market and determined by the schools themselves. For private schools established before November 7, 2016, the charging policies shall be managed as Non-Profit Private Schools before the relevant procedures for classification registration are completed. In addition, it is strictly forbidden for Non-Profit Private School sponsors and non-profit Sino-foreign cooperative school sponsors to obtain school operating income from tuition income and other school operating income through various methods, distribute school surplus (surplus property), or transfer school operating income through connected transactions or connected parties.

Pursuant to the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province, the items and standards charged by For-Profit Private Schools are determined independently by the school based on factors such as school cost and market demand and shall be disclosed to the public.

Regulations on Safety and Health Protection of Schools

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

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was last amended on April 29, 2021, collective canteens of schools shall obtain licenses in accordance with the laws and strictly abide by the laws, regulations and food safety standards. Schools and kindergartens should only order meals from off-site providers that have obtained the relevant food production licenses and should conduct regular inspections on the meal provided.

According to Administrative Measures on Licence of Catering Industry (《餐飲服務許可管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, a licencing system for catering industry is implemented. A catering service provider shall obtain food service licence and take responsibility for the food safety in accordance with the laws. Pursuant to Administrative Measures for Food Operation Licencing (《食品經營許可管理辦法》) promulgated on August 31, 2015 and amended on November 17, 2017 with effect from the same day, a food operation licence shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. The principle of one licence for one site shall apply to the licencing for food operation, and classified licencing for food operation according to food operators' types of operation and the degree of risk of their operation projects is implemented.

Pursuant to Administrative Measures for the Supervision of Food Safety in Catering Service (《餐飲服務食品安全監督管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, catering service providers shall carry out catering service activities in accordance with the laws, regulations, food safety standards and relevant requirements, be responsible for society and the general public, ensure food safety, accept social supervision, and take responsibilities for food safety in catering service.

According to the Regulations on the Management of Food Safety, Nutrition and Health of School (《學校食品安全與營養健康管理規定》) promulgated by the MOE, SAMR and the National Health Commission on February 20, 2019 and came into force on April 1, 2019, the supply of foods by schools to students, teachers and employees through canteens or by ordering food from off-site providers is regulated. Schools shall attach great importance to food safety and the principal of a school is responsible for the food safety. The school canteens shall obtain the license for food operations.

REGULATIONS ON REAL PROPERTY IN THE PRC

On May 28, 2020, the Civil Code of the PRC (中華人民共和國民法典) (the "**Civil Code**") was adopted by the Standing Committee of the NPC. The Civil Code became effective on January 1, 2021 and simultaneously replace the General Principles of the Civil Law, the Security Law, the Contract Law, the Real Right Law, the General Rules of the Civil Law and several other basic civil laws in the PRC. The Civil Code provides that non-profit legal persons established for public welfare such as schools, kindergartens and medical institutions shall not mortgage their educational facilities, health care facilities and other public welfare facilities.

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

REGULATIONS ON INTELLECTUAL PROPERTY IN THE PRC

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was last amended on November 11, 2020 with the effective date of June 1, 2021, Copyrights include personal rights such as the right of publication and that of attribution, as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

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

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), which was last revised on October 17, 2020 with the effective date of June 1, 2021, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (《中國互聯網絡域名管理辦法》), which was promulgated on November 5, 2004 and was abolished by the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated on August 24, 2017 and came into effect on November 1, 2017, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. The principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

REGULATIONS ON TAX IN THE PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated on March 16, 2007 and last amended on December 29, 2018 and became effective on the same date, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Rules**"), which was promulgated on December 6, 2007 and amended on April 23, 2019 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部、國家稅務總局關於教育稅收政策的通知》) (the "**Notice 39**") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (《財政部、國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》) (the "**Notice 3**"), schools are not required to pay enterprise income tax on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools are not required to pay enterprise income tax on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law for Promoting Private Education of the PRC and its implementing rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the PRC State Council.

Income Tax in Relation to Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Value-added Tax

According to the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

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

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**"), which was promulgated on March 23, 2016 and took into effect from May 1, 2016 and was partly abolished, upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

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

Other Tax Exemptions

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

REGULATIONS ON FOREIGN EXCHANGE IN THE PRC

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

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

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

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and implemented June 1, 2015 and amended on December 30, 2019, the initial foreign exchange registration for establishing or taking control of an SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

According to the Circular of the SAFE on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated by the SAFE on March 30, 2015 and effective from June 1, 2015 and amended on June 9, 2016 and December 30, 2019, and the Circular of the SAFE on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

According to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), which was issued by the SAFE on April 10, 2020 and took effect from the same day, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009) (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

REGULATIONS ON LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), which was promulgated by the NPC Standing Committee on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which was promulgated by the NPC Standing Committee on June 29, 2007, came into effect on January 1, 2008, and was subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and became effective on the same date, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

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

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and became effective on the same day, and was amended on March 24, 2002 and March 24, 2019, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

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

OUR HISTORY AND DEVELOPMENT

Overview

We are currently engaged in the provision of higher educational services in Shanxi Province, the PRC. Our history can be traced back to when Mr. Niu Sanping, the founder and principal of Shanxi Technology & Business, the Chairman of our Board and an executive Director, established Shanxi Technology & Business with his own personal fund in Taiyuan, Shanxi Province, the PRC in 2006. Mr. Niu Sanping has been deeply involved in the private education industry since 1987 and has over 33 years of experience in education. See "Directors and Senior Management" in this document for his biographical details.

Shanxi Technology & Business was approved for establishment by the People's Government of Shanxi Province in May 2004. In 2011, Shanxi Technology & Business was approved and upgraded by the MOE to become the first private undergraduate college in Shanxi Province, the PRC. In 2015, Shanxi Technology & Business started to grant bachelor's degree to its graduates. As of the Latest Practicable Date, Shanxi Technology & Business is comprised of two campuses, with two provincial experimental teaching demonstration centers, two school-level experimental demonstration centers together with 103 off-campus internship training bases.

Business milestones

The following illustrates our major development milestones:

Year	Event
2004	• Shanxi Technology & Business was approved for establishment by the People's Government of Shanxi Province
2011	• Shanxi Technology & Business was approved and upgraded by the MOE from a vocational college to an undergraduate college with the name of Shanxi Technology and Business College* (山西工商學院), which is the first private undergraduate college in Shanxi Province
2014	• Our Beige campus was put in use
2015	• Shanxi Technology & Business started to grant the bachelor's degree to its graduates
2018	• Our business administration programme was recognized as an advanced characteristic major of Shanxi higher education institutions for the year of 2018 (2018年山西省高等學校優勢特色專業) by the Department of Education of Shanxi Province
2019	• Shanxi Technology & Business passed the undergraduate teaching performance evaluation conducted by the MOE in 2018

See "Business — Awards and Recognitions" in this document for further details in the awards and recognitions received by our College.

HISTORY OF OUR PRC AFFILIATED ENTITIES

Shanxi Technology & Business

Shanxi Technology & Business is a private undergraduate college registered in Shanxi Province, the PRC with a registered capital of RMB80,000,000 contributed by Mr. Niu Sanping to provide higher educational services to its students.

Shanxi Technology & Business was approved for establishment by the People's Government of Shanxi Province on May 26, 2004 and obtained the Permit for Operating a Private School (民辦學校辦學許可證) from the People's Government of Shanxi Province on November 18, 2005 (the "**2005 Permit**"). We commenced the preparation of the application for registration as a private non-enterprise unit (民辦非企業單位) after we obtained the 2005 Permit. However, due to the complexity of the application materials and administrative procedures involved, we obtained the certificate of registration as a private non-enterprise unit from the Department of Civil Affairs of Shanxi Province in August 2006. As confirmed by the Administration of Social Organizations of the Department of Civil Affairs of Shanxi Province, being the competent authority regulating our College as advised by our PRC Legal Advisors, the establishment and registration of Shanxi Technology & Business is in compliance with the applicable PRC laws and regulations. On April 7, 2011, Shanxi Technology & Business was approved and upgraded by the MOE from a vocational college to an undergraduate college with the name of Shanxi Technology and Business College* (山西工商學院).

Since its establishment, Mr. Niu Sanping had been the sole school sponsor of Shanxi Technology & Business. As a part of the Corporate Reorganization, on March 29, 2019, Mr. Niu Sanping and Shanxi Tongcai entered into a school sponsor change agreement (the "**School Sponsor Change Agreement**"), pursuant to which Mr. Niu Sanping agreed the change of the sole school sponsor of Shanxi Technology & Business to Shanxi Tongcai. The change of the school sponsor for Shanxi Technology & Business from Mr. Niu Sanping to Shanxi Tongcai took effect upon approval by the MOE on September 30, 2020. Shanxi Technology & Business subsequently obtained the updated Permit for Operating a Private School (民辦學校辦學許可證) issued by the MOE in October 2020 with validity period from October 2020 to October 2024 and the certificate of registration as a private non-enterprise unit issued by the Department of Civil Affairs of Shanxi Province in April 2021 with validity period from April 2021 to April 2025. As confirmed by our PRC Legal Advisors, the change of the School Sponsor of Shanxi Technology & Business from Mr. Niu Sanping to Shanxi Tongcai has been approved by the MOE on September 30, 2020, and therefore, our current Contractual Arrangements are legal, valid and binding on the parties. See "Contractual Arrangements — Operation of the Contractual Arrangements" in this document for further details.

The initial registered capital of Shanxi Technology & Business was RMB72,777,700, which was changed to RMB80,000,000 on April 23, 2021, and since then and as of the Latest Practicable Date, it has remained unchanged. All the registered capital had been paid up as of the Latest Practicable Date.

Shanxi Tongcai

Shanxi Tongcai was established on May 17, 2018 with an initial registered capital of RMB1 million as a limited liability company under the laws of the PRC. At the time of its establishment, Shanxi Tongcai was owned as to 80% by Mr. Niu Jian, an executive Director and the son of Mr. Niu Sanping, and 20% by Ms. Chen Li (陳立) (the chief operating officer of Tongcai Investment), an Independent Third Party. Pursuant to each of their respective equity transfer agreements with Mr. Niu Sanping, both dated

August 1, 2018, Ms. Chen Li and Mr. Niu Jian transferred 20% and 30% of their respective equity interests in Shanxi Tongcai to Mr. Niu Sanping with no consideration payable as the registered capital of Shanxi Tongcai had not been paid up at that time. The above equity transfers were completed on August 15, 2018. Thereafter, Shanxi Tongcai was owned as to 50% by Mr. Niu Sanping and 50% by Mr. Niu Jian and Ms. Chen Li ceased to be interested in Shanxi Tongcai.

Pursuant to an equity transfer agreement dated November 9, 2018, Mr. Niu Jian transferred 1% of the equity interest in Shanxi Tongcai to Mr. Niu Sanping with no consideration payable as the registered capital of Shanxi Tongcai had not been paid up at that time. Such equity transfer was completed on November 26, 2018.

As a part of the Corporate Reorganization and to align the respective equity interests held by Mr. Niu Sanping and Mr. Niu Jian in Shanxi Tongcai with that at the Company, on March 14, 2019, Mr. Niu Jian further transferred his 20% of equity interests in Shanxi Tongcai to Mr. Niu Sanping with no consideration payable as the registered capital of Shanxi Tongcai had not been paid up at that time. Such equity transfer was completed on March 29, 2019. Upon completion of such transfer and as of the Latest Practicable Date, Shanxi Tongcai was owned as to 71% by Mr. Niu Sanping and as to 29% by Mr. Niu Jian. See "— Corporate Reorganization — 3. Incorporation of the Company" and "— Corporate Reorganization — 5. Transfer of equity interests in Shanxi Tongcai" in this section of this document for further details.

On March 29, 2019, Mr. Niu Sanping and Shanxi Tongcai entered into the School Sponsor Change Agreement, pursuant to which Mr. Niu Sanping agreed the change of the sole school sponsor of Shanxi Technology & Business to Shanxi Tongcai. Shanxi Technology & Business obtained the updated Permit for Operating a Private School (民辦學校辦學許可證) issued by the MOE in October 2020.

The registered capital of Shanxi Tongcai was increased from RMB1 million to RMB20 million on May 13, 2019, and was further increased to RMB50 million on May 15, 2019, of which RMB10.5 million had been paid up by Mr. Niu Sanping as of the Latest Practicable Date and the remaining shall be paid up by the shareholders before May 8, 2023 in accordance with the articles of association.

DISPOSAL OF ENTITIES NOT RELATED TO OUR PRINCIPAL BUSINESS

Prior to the Corporate Reorganization, Shanxi Technology & Business held several entities and interests not related to the higher educational services we provide. In order to streamline the business and assets of our Group prior to [**REDACTED**], we disposed certain entities and interests to rationalize our corporate structure.

Disposal of Shanxi Tongcai Film and Culture Media Co., Ltd

Shanxi Tongcai Film and Culture Media Co., Ltd* (山西通才影視文化傳媒有限公司) ("**Tongcai Media**") was established on October 9, 2015 with an initial registered capital of RMB6 million as a limited liability company under the laws of the PRC, with a business scope of, among others, film and television program production. Tongcai Media was initially established with a view to developing film and television programs so as to provide practical experience opportunities to students in School of Communication and School of Music of Shanxi Technology & Business. However, as no suitable program has been explored, Tongcai Media has not commenced any business since its establishment. At the time of its establishment, Tongcai Media was owned as to 83.33% by Shanxi Technology & Business, 8.33% by Mr. Niu Jian and 8.33% by Ms. Zhang Zhonghua (張中華), our executive Director, respectively.

On May 27, 2017, the registered capital of Tongcai Media was increased from RMB6 million to RMB20 million, which was subscribed by Shanxi Technology & Business. Subsequent to the increase of registered capital, Tongcai Media was owned as to 95% by Shanxi Technology & Business, 2.5% by Mr. Niu Jian and 2.5% by Ms. Zhang Zhonghua, respectively.

To rationalize our corporate structure in preparation for the [**REDACTED**] and focus our resources on our higher education business, we decided to de-register Tongcai Media. Considering the time required to complete the entire de-registration process, which was expected to take up to several months in 2018, pursuant to the required procedures under the applicable PRC laws, and to facilitate the corporate reorganization for the purpose of preparing for [**REDACTED**], our Group decided to dispose Tongcai Media to a third party first and have such party de-register Tongcai Media thereafter. On June 17, 2018, Shanxi Technology & Business and Ms. Chen Li (陳立), who is an Independent Third Party and has been acting as the chief operating officer of Tongcai Investment since March 2017, entered into share transfer agreements, pursuant to which Shanxi Technology & Business agreed to transfer, and Ms. Chen Li agreed to acquire, 95% equity interest in Tongcai Media held by Shanxi Technology & Business. According to the share transfer agreements, Ms. Chen Li was to de-register Tongcai Media after such share transfer and the net asset value of Tongcai Media attributable to Shanxi Technology & Business at the time of such share transfer of approximately RMB8.4 million after deducting the relevant de-registration expenses should be returned to Shanxi Technology & Business after the de-registration of Tongcai Media. Based on the above transaction arrangements, Shanxi Technology & Business and Ms. Chen Li deemed the residual assets of Tongcai Media attributable to Shanxi Technology & Business after its de-registration of approximately RMB8.3 million as the consideration for the transfer of 95% equity interest in Tongcai Media from Shanxi Technology & Business to Ms. Chen Li. The registration of such share transfer was completed on June 29, 2018. On the same day, the legal representative and executive director of Tongcai Media was changed from Mr. Niu Sanping, who had been acting in such positions since the establishment of Tongcai Media, to Ms. Chen Li. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Media recorded net loss of approximately RMB3.5 million, RMB13,000 and RMB19,000 for the years ended August 31, 2018, 2019 and 2020, respectively, and net profit of approximately RMB6,400 for the four months ended December 31, 2020, and as of June 29, 2018, Tongcai Media had net asset of approximately RMB8.4 million. The net loss of approximately RMB3.5 million of Tongcai Media for the year ended August 31, 2018 was mainly due to the write-off of other receivables of approximately RMB3.4 million recognized during the year ended August 31, 2018. See "Financial Information — Key Components of Our Results of Operations — Other Expenses" in this document for further details. As agreed by Shanxi Technology & Business and Ms. Chen Li, in November 2020, Ms. Chen Li prepaid an amount of approximately RMB8.3 million, being the estimated value of 95% equity interest of Tongcai Media, by reference to its residual assets and after deducting relevant de-registration expenses of Tongcai Media, using the available cash on hand of Tongcai Media at the time of settlement. As disclosed above, pursuant to the share transfer agreements between Shanxi Technology & Business and Ms. Chen Li, Ms. Chen Li was responsible for de-registering Tongcai Media after the transfer of the 95% equity interest of Tongcai Media from Shanxi Technology & Business to her and an amount equivalent to the net asset value of Tongcai Media attributable to Shanxi Technology & Business immediately prior to such share transfer was required to be returned to Shanxi Technology & Business. Tongcai Media was de-registered on March 1, 2021. To the best knowledge of the Directors, Tongcai Media was not subject to any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to its de-registration.

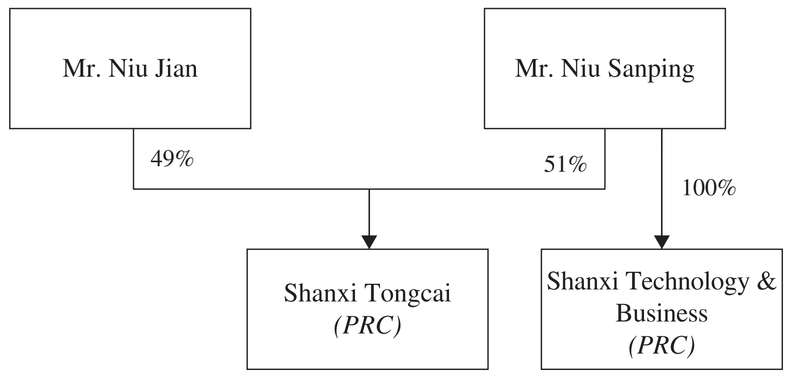
Disposal of Shanxi Tongcai Culture and Art Group Co., Ltd

Shanxi Tongcai Culture and Art Group Co., Ltd* (山西通才文化藝術團有限公司) ("**Tongcai Culture**") was established on October 12, 2015 with a registered capital of RMB1.1 million as a limited liability company under the laws of the PRC with a business scope of, among others, organizing cultural and arts exchange activities, exhibition and cultural and arts performance. Tongcai Culture was initially established with a view to organize cultural and arts exchange activities, exhibition and cultural and arts performance so as to provide practical experience opportunities to students in School of Communication and School of Music of Shanxi Technology & Business. However, as no suitable project has been explored, Tongcai Culture has not commenced any business since its establishment. At the time of its establishment, Tongcai Culture was owned as to 90.9% by Shanxi Technology & Business, 4.55% by Mr. Hao Xiaoming (郝孝明), an Independent Third Party, and 4.55% by Mr. Zhang Zhiwei (張志偉), our senior management.

To rationalize our corporate structure in preparation for the [**REDACTED**] and focus our resources on our higher education business, we decided to de-register Tongcai Culture. Considering the time required to complete the entire de-registration process, which was expected to take up to several months in 2018, pursuant to the required procedures under the applicable PRC laws, and to facilitate the corporate reorganization for the purpose of preparing for [**REDACTED**], our Group decided to dispose Tongcai Culture to a third party first and have such party de-register Tongcai Culture thereafter. On May 2, 2018, Shanxi Technology & Business and Ms. Chen Li entered into share transfer agreements, pursuant to which Shanxi Technology & Business agreed to transfer, and Ms. Chen Li agreed to acquire, 90.9% equity interest in Tongcai Culture held by Shanxi Technology & Business. According to the share transfer agreements, Ms. Chen Li was to de-register Tongcai Culture after such share transfer and as Tongcai Culture was not expected to have any residual assets after deducting the de-registration expenses, no consideration would be returned to Shanxi Technology & Business after the de-registration of Tongcai Culture. Therefore, no consideration was involved for the transfer of 90.9% equity interest in Tongcai Culture from Shanxi Technology & Business to Ms. Chen Li. The registration of such share transfer was completed on June 25, 2018. On the same day, the legal representative and executive director of Tongcai Culture was changed from Mr. Niu Sanping, who had been acting in such positions since the establishment of Tongcai Culture, to Ms. Chen Li. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Culture recorded net loss of approximately RMB33,000, RMB21,000 and RMB22,000 for the years ended August 31, 2018, 2019 and 2020, respectively, and net profit of approximately RMB59,000 for the four months ended December 31, 2020, and as of June 25, 2018, Tongcai Culture had net asset of approximately RMB64,000, which would be used to meet the de-registration related expenses. Tongcai Culture was de-registered on March 12, 2021. To the best knowledge of the Directors, Tongcai Culture was not subject to any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to its de-registration.

CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately prior to the commencement of the Corporate Reorganization in November 2018:



In preparation of the [**REDACTED**], we underwent the Corporate Reorganization consisted of the following major steps:

1. Incorporation of Niusanping Limited

Niusanping Limited, an investment holding company for Mr. Niu Sanping, was incorporated as a limited liability company under the laws of the BVI on August 3, 2018 and was authorized to issue a maximum of 50,000 shares with a par value of US$1.00 each. On the same day, one share of Niusanping Limited was issued and allotted to Mr. Niu Sanping for US$1.00.

2. Incorporation of Niujian Limited

Niujian Limited, an investment holding company for Mr. Niu Jian, was incorporated as a limited liability company under the laws of the BVI on August 3, 2018 and was authorized to issue a maximum of 50,000 shares with a par value of US$1.00 each. On the same day, one share of Niujian Limited was issued and allotted to Mr. Niu Jian for US$1.00.

3. Incorporation of the Company

Our Company, which is the [**REDACTED**] vehicle of our Group, was incorporated as an exempted company with limited liability in the Cayman Islands on September 14, 2018 with an authorized share capital of US$50,000 divided into 5,000,000,000 shares with par value of US$0.00001 each. On the date of incorporation, the initial subscriber subscribed for, and the Company issued and allotted, one subscriber Share. On the same date, such one initial Share was transferred from the initial subscriber to Niusanping Limited for a consideration at par value, and the Company then issued and allotted one Share to Niujian Limited for cash at par.

On November 15, 2018, 50 Shares and 48 Shares were issued and allotted to Niusanping Limited and Niujian Limited, respectively, at par value of US$0.00001 each.

On March 18, 2019, 91 Shares and nine Shares were issued and allotted to Niusanping Limited and Niujian Limited, respectively, at par value of US$0.00001 each. Immediately subsequent to the above allotment, our Company was owned as to 71% by Niusanping Limited and 29% by Niujian Limited.

4. Incorporation of China General Education (HK)

China General Education (HK), an investment holding company, was incorporated as a limited company under the laws of Hong Kong on November 7, 2018 with an issued share capital of HK$1. On the same date, one founder share was issued to our Company at a subscription price of HK$1. As of the Latest Practicable Date, China General Education (HK) was wholly-owned by our Company.

5. Transfer of equity interests in Shanxi Tongcai

On March 14, 2019, Mr. Niu Jian further transferred his 20% of equity interests in Shanxi Tongcai to Mr. Niu Sanping with no consideration payable as the registered capital of Shanxi Tongcai had not been paid up at that time. Upon completion of such transfer and as of the Latest Practicable Date, Shanxi Tongcai was owned as to 71% by Mr. Niu Sanping and as to 29% by Mr. Niu Jian.

6. Establishment of Shanxi WFOE

Shanxi WFOE was established in the PRC as a wholly foreign owned enterprise on June 24, 2019 with a registered capital of RMB50 million, and was wholly-owned by China General Education (HK). Pursuant to the PRC Company Law, shareholder(s) of a company shall make the capital contribution for which it has agreed to subscribe under the company's articles of association in full within the prescribed time limit as stipulated therein. According to the articles of association of Shanxi WFOE, the shareholder is only required to fully settle the registered capital of Shanxi WFOE by June 18, 2024. As of the Latest Practicable Date, the registered capital of Shanxi WFOE had not been paid up by China General Education (HK). As confirmed by our PRC Legal Advisors, the registered capital of Shanxi WFOE is not required to be fully paid up by China General Education (HK) until June 18, 2024, which does not contravene the articles of association of Shanxi WFOE and the applicable laws of the PRC and the establishment of Shanxi WFOE has been duly completed under the relevant laws and regulations in the PRC.

7. Change of the sole school sponsor of Shanxi Technology & Business

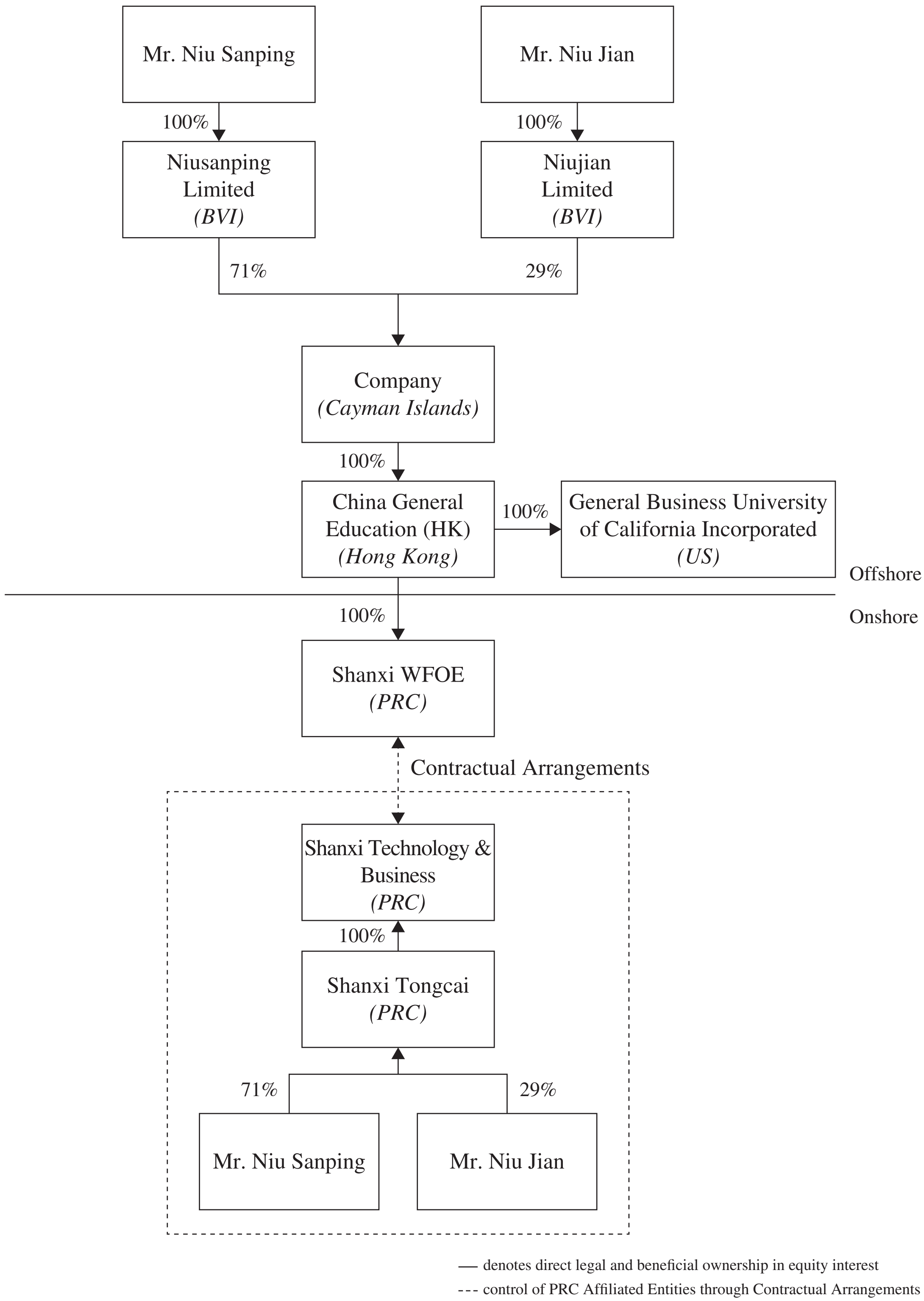
On March 29, 2019, Mr. Niu Sanping and Shanxi Tongcai entered into the School Sponsor Change Agreement, pursuant to which Mr. Niu Sanping agreed the change of the sole school sponsor of Shanxi Technology & Business to Shanxi Tongcai. Shanxi Technology & Business obtained the updated Permit for Operating a Private School (民辦學校辦學許可證) issued by the MOE in October 2020.

8. Entering into the Contractual Arrangements to control our PRC Affiliated Entities by Shanxi WFOE

On November 12, 2020, Shanxi WFOE entered into various agreements that constitute Contractual Arrangements with, among others, our PRC Affiliated Entities, under which all economic benefits arising from the business of our PRC Affiliated Entities are transferred to Shanxi WFOE by means of services fees payable by our PRC Affiliated Entities to Shanxi WFOE.

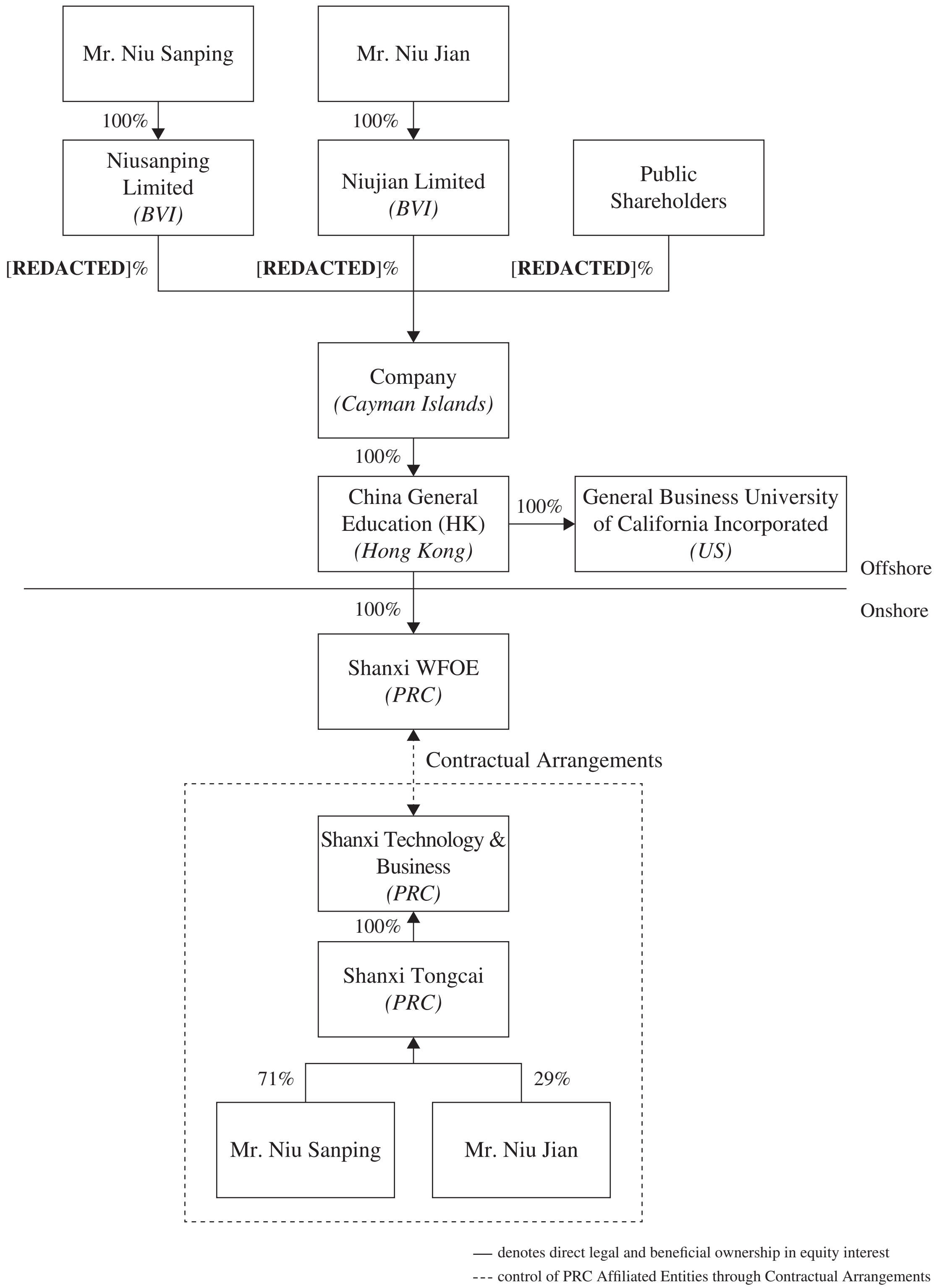
GROUP STRUCTURE UPON THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure after the Corporate Reorganization and immediately prior to the [**REDACTED**]:



GROUP STRUCTURE UPON THE [REDACTED]

The following chart sets forth our corporate structure upon the [**REDACTED**], assuming the [**REDACTED**] (or any options that may be granted under the Share Option Scheme) is not exercised:



SCHOOL TO BE ESTABLISHED

New school in California

With a view to creating synergies with our College in China and complying with the Qualification Requirement as further described in the section headed "Contractual Arrangements" in this document, we plan to expand our network abroad by establishing a degree-granting higher education institution in California, the United States (the "**US School**"). We have engaged an agent, who is principally engaged in education consultancy and BPPE licensing services, to assist us in establishing General Business University of California Incorporated and filing applications with the BPPE regarding the establishment of the US School. On October 22, 2020, Generalist Business University of California Incorporated was established in California, the United States by our agent, which was renamed as General Business University of California Incorporated on November 4, 2020, and its sole member is China General Education (HK). General Business University of California Incorporated will operate and manage the US School to be established. We will file an application for a provisional license for a school of the same name with the BPPE. We have expended approximately US$20,000 in connection with our establishment of General Business University of California Incorporated as of the Latest Practicable Date. See also "Business — Future Development — Overseas Institution" and "Contractual Arrangements — Background of the Contractual Arrangements — Plan to Comply with the Qualification Requirement" in this document for details.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisors confirmed that the establishment of our School Sponsor and our College and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

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

SAFE REGISTRATION

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

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

As advised by our PRC Legal Advisors, each of Mr. Niu Sanping and Mr. Niu Jian has completed the registration under SAFE Circular No. 37 on June 12, 2019.

M&A RULES

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

Given that (i) Shanxi WFOE was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and (ii) no Regulated Activities were involved in the Corporate Reorganization under the M&A Rules, as advised by our PRC Legal Advisors, the establishment of Shanxi WFOE and the Corporate Reorganization are not subject to the M&A Rules, and the [**REDACTED**] of our Company does not require approvals from CSRC and MOFCOM under the M&A Rules.

OVERVIEW

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

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

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

Our revenue remained largely stable over the Track Record Period, decreasing slightly from RMB267.4 million for the year ended August 31, 2018 to RMB266.3 million for the year ended August 31, 2019, and then increasing to RMB271.1 million for the year ended August 31, 2020. Our revenue decreased from RMB110.9 million for the four months ended December 31, 2019 to RMB110.3 million for the four months ended December 31, 2020, primarily due to a delay in the beginning of the 2020/2021 school year for new students from September to October as a result of the COVID-19 pandemic, resulting in only three months of revenue for that year being recognized as of December 31, 2020. This timing effect was partially offset by an increase in the total number of students enrolled in our College from 16,616 for the 2019/2020 school year to 17,233 for the 2020/2021 school year. Our gross profit decreased from RMB171.1 million for the year ended August 31, 2018 to RMB157.8 million for the year ended August 31, 2019, and increased to RMB163.9 million for the year ended August 31, 2020. Our gross profit decreased slightly from RMB64.8 million for the four months ended December 31, 2019 to RMB64.2 million for the four months ended December 31, 2020. Our profit and total comprehensive income for the year decreased from RMB144.8 million for the year ended August 31, 2018 to RMB137.6 million for the year ended August 31, 2019, and increased to RMB142.7 million for the year ended August 31, 2020. Our profit and total comprehensive income for the period decreased from RMB58.5 million for the four months ended December 31, 2019 to RMB50.9 million for the four months ended December 31, 2020.

OUR COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUR BUSINESS STRATEGIES

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

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

Going forward, we plan to initiate construction of Phase IV of our Beige campus on our existing owned land located on Beige campus, for which we had obtained the land use right certificate. See "— Properties — owned properties" in this section for further details of such owned land. This phase will add approximately aggregate proposed gross floor area of approximately 73,129.5 sq. m. to our Beige campus, and will include a teaching building with a total proposed gross floor area of approximately 17,766.5 sq. m., a library with a total proposed gross floor area of approximately 48,653 sq. m. and a gymnasium with a total proposed gross floor area of approximately 6,710 sq. m. We obtained the approval for our adjusted plans in May 2021. We are currently in the process of applying for construction permits from the local governmental authorities. In May 2021, with the assistance of our PRC Legal Advisors, we consulted with the Bureau of Administrative Approval of the Shanxi Transformation and Comprehensive Reform Demonstration Area (山西轉型綜合改革示範區行政審批局), being the competent authority for approval of construction commencement permits in such area. During the consultation, such bureau advised that there are no material impediments for our College to obtain a construction commencement permit and they expect that such permit will be issued by the end of June 2021. As of the Latest Practicable Date, there were only four teaching buildings in our Beige campus, and the teaching area was relatively limited compared to our current student body on Beige campus. Moreover, students on Beige campus did not have easy access to an on-campus library and gymnasium, unlike students on Longcheng campus. Phase IV of our Beige campus will help improve the teaching facilities and thus provide better education resources to our students. Construction of these additional buildings will also improve the ratio of school site area/teaching and administrative building area to the number of students enrolled to better comply with the requirements set by relevant authorities. See "— Properties — Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled" for further details. We expect construction for this project to begin in the third quarter of 2021 and be completed by the end of the first quarter of 2024. Total capital expenditure for the project is expected to be approximately RMB201.6 million, all of which is expected to be incurred by the end of the first quarter of 2024. The following chart sets out key information for our construction plan for Phase IV of Beige campus:

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

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

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

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

Expand our operations through acquisition

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

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

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

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

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

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

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

We will continue to monitor trends in the local job market and leverage our existing strengths, including advanced facilities and equipment, experienced teaching staff (including industry experts as adjunct professors), and deep cooperative relationships with enterprise partners, to create new courses and majors addressing such trends. We have already invested significant time and resources into this strategy. In the 2020/2021 school year alone, we began admitting students to three new majors: artificial intelligence (人工智能), home economics (家政學), aviation services art and management (航空服務藝術與管理), and one new concentration: preschool education (early education concentration) (學前教育（早期教育方向）). We had a total of 255 students enrolled in these three new majors and one concentration as of December 31, 2020. Going forward, we will continue to expand into promising areas. For example, we believe there will be increasing demand in healthcare industries for educated professionals and plan to establish new majors related to food nutrition and health, cooking and nutrition education, and sports rehabilitation nursing, among others. According to the Frost & Sullivan Report, it is estimated that the supply-demand gap for talent in the healthcare market is expected to reach 30.3 million by 2024. We also believe there will be increasing demand for professionals in the culture and art industries and plan to set up new majors related to theater, film and television art design and film and television production, among others. New majors may also help us obtain increases in our student admission quota, which will help us raise student enrollment numbers in accordance with our expansion plan. Five new majors to be offered by our College were approved by MOE in February 2020, including cross-border e-commerce, nursing, sports rehabilitation and cooking, nutrition education and art design for drama, film and television. We plan to begin offering these five new majors to our students in September 2021.

Continue to build and improve our highly qualified teaching team

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

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

OUR EDUCATIONAL MISSION

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

OUR COLLEGE

History and Overview

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

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

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

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

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

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

Notes:

(1) The student enrollment information for the school years indicated was based on the internal records of our College. Although our school year typically starts at the beginning of September, the administrative work that facilitates the registration of students' academic files, the collection of tuition and boarding fees and other admission-related activities are generally completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our enrollment figures and certain other business operating data in this document, and the student enrollment figures listed here for the 2017/2018, 2018/2019 and 2019/2020 school years are the number of students as of September 30 of such school year. For the 2020/2021 school year, due to the impact of COVID-19, the beginning of the semester was delayed until October 12, 2020 for new students. For purposes of providing a fair comparable figure, we use the number of students as of October 31, 2020 to present student enrollment figures for the 2020/2021 school year.

(2) The number of students includes the number of (i) students who were admitted to four-year undergraduate programs by taking the National Higher Education Entrance Examination, (ii) students who were admitted after graduating from junior colleges and continue their study at our College as third-year undergraduate students, and (iii) students who were admitted after graduating from secondary vocational schools.

(3) Starting in the 2018/2019 school year we began to phase out our three-year junior college program and shifted our focus entirely to our undergraduate program. We stopped adding new student classes and the number of students enrolled in our junior college program decreased steadily over the Track Record Period as current classes graduated. Starting in the 2020/2021 school year, we did not have any students enrolled in our junior college program.

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

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

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

Longcheng campus

Beige campus

Curriculums and Degrees

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

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

- *School of Accountancy*: this school offers two majors: accounting and auditing.

- *School of Architecture and Construction*: this school offers four majors: civil engineering, engineering management, engineering cost and urban management.

- *School of Business*: this school offers three majors: business administration, marketing and human resources management.

- *School of Computer and Informational Technology*: this school offers six majors and one concentration: artificial intelligence ("**AI**"), computer science and technology, software engineering, electronic information engineering, Internet of Things ("**IoT**") engineering, data science and big data technology and computer science and technology (internet technology concentration).

- *School of Finance*: this school offers three majors: financial management, financial engineering and internet finance.

- *School of Communication*: this school offers five majors: performance, broadcasting and hosting art, radio and television programs directing, filming and television photography and production and aviation services art and management.

- *School of Tourism and Hotel Management*: this school offers five majors: tourism management, hotel management, food quality and safety, health services and management and home economics.

- *School of Music*: this school offers two majors: music performance and dance choreography.

- *School of Art Design*: this school offers two majors: visual communication design and digital media art.

- *School of Foreign Language*: this school offers three majors: translation, business English and Chinese language international education.

- *School of Preschool Education*: this school offers one major and two concentrations: preschool education, preschool education (child massage healthcare concentration), and preschool education (early education concentration).

- *Sanniu School*: this school offers a Bachelor of Management degree for students completing the requisite courses in four majors consisting of business administration, human resources management, accounting and financial management.

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

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

We develop curriculums taking into consideration the basic course curriculum standards issued by the MOE for bachelor's degree students set out in the National Standards for Teaching Quality of Undergraduate Majors in General Colleges and Universities (《普通高等學校本科專業類教學質量國家標準》) and such curriculums are generally filed with and examined by the Department of Education of Shanxi Province during the review of an application to establish new majors. We continue to adjust and optimize course offerings to keep our programs relevant and engaging. As confirmed by our PRC Legal Advisors, there is no provision under PRC laws explicitly stipulating that general colleges and universities are required to submit for approval or record to the education authorities for their adjustment and optimization of course offerings. Furthermore, according to our PRC Legal Advisors' consultation via anonymous telephone with the MOE and Department of Education of Shanxi Province, a private higher education institution providing undergraduate education can generally independently set its course offerings for its current majors, as long as it satisfies the requirements set out in the National Standards for Teaching Quality of Undergraduate Majors in General Colleges and Universities, while without providing further notifications to such education authorities. Based on the foregoing, our PRC Legal Advisors are of the view that our Group is entitled to adjust and optimize course offerings without notifying the relevant authorities as long as we do not materially deviate from the approved basic course curriculum standards.

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

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) emerged in late 2019 and continues to endanger the health of many people and disrupt travel and the local economy in China and globally. See "Risk Factors — Risks Relating to Our Business and Our Industry — We face risks related to natural disasters, health epidemics or terrorist attacks in China." for further details. In light of the outbreak of the COVID-19 epidemic in the PRC, our College postponed the opening of both school campuses for the spring semester of the 2019/2020 school year. In order to minimize disruption to the school year as much as possible, we started teaching classes and offering other learning activities via online platforms beginning in March 2020 while the students and faculty of our College were unable to return to school. Pursuant to the Guiding Opinions on the Organization and Management of Online Teaching in Colleges and Universities in Shanxi Province During the Period of Epidemic Prevention and Control (《關於在疫情防控期間做好全省高等學校在線教學組織與管理工作的指導意見》) issued by the Department of Education of Shanxi Province, teachers at our College attended relevant technology training through various online platforms and we selected a number of suitable platforms including WeChat, QQ, DingTalk, Tencent Classroom and Tencent Meeting, among others, on which to conduct teaching. Using such online tools, teachers were able to conduct their courses, either via live streaming or recorded lectures. These online platforms allow students to take classes online, interact with our teachers, have group discussion and participate in class quiz sessions. Our teachers prepared and adjusted their teaching materials and course designs to take into account the different features of online teaching as compared to traditional in-class teaching. In addition, we also utilized others online courses and resources, some of which we had previously purchased, as a supplement to our online teaching. Teachers were able to select from among a number of existing third-party online courses to supplement their own lectures. For example, our College entered into an agreement with a third-party education technology company, enabling our students to access approximately 380 online courses (mainly elective courses) provided by such company which students were able to take on a voluntary basis and gain credits towards their degree after successfully fulfilling the online study requirements. Those courses are generally taught by teachers from other universities or colleges nationwide and could bring in different perspectives and novel learning methods for our students. Students were also able to access other electronic resources online provided by such company, such as electronic books, journals, archived documents and videos. During the school shutdown, approximately 500 of our teachers and approximately 13,000 of our students utilized online platforms for teaching and learning remotely. Approximately 500 of our teachers did not conduct their teaching through online platform since they did not have teaching tasks during the school shutdown or their respective teaching tasks had been conducted by other teacher via online platform. Approximately 4,000 of our students, all of whom were in their last semester before graduation in the 2020/2021 school year and did not have on-campus classes but participated in internships outside of school did not utilize online platforms for learning during the school shutdown. We believe that by offering online teaching services, we were able to mitigate the impact of the COVID-19 outbreak and allow students to maintain progress in their learning and that our teaching has not been materially affected. We will continue to conduct online learning activities as appropriate to the extent we are unable to hold classes on campus.

As advised by our PRC Legal Advisors, delivery of courses developed by us on these third-party online platforms, which were operated and managed by Independent Third Parties, and the use of the education resources available thereon by our students and faculty do not involve any activities in relation to the provision of basic or value-added telecommunication services and therefore, do not require a telecommunication business license on our part.

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

College-Industry Collaboration

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

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

Specific examples of our collaboration programs include the following:

- ***Joint Curriculum Design:*** We invite companies in relevant industries to participate in the design and development of curriculums for courses, as we believe that such companies are better able to anticipate developing anticipating industry trends and better able to identify the knowledge and skills students looking to start a career in their industries should acquire in school study. During the Track Record Period, we offered ten joint courses with private companies. For example, starting in 2019, our College has collaborated with a culture and media company in Shanxi Province, to develop curriculums and formulate a student cultivation plan through research and analysis of recent developments and demand in the market. We launched one such course focusing on alcohol and beverage knowledge and bar management, with the company in the 2020/2021 school year for our students majoring in School of Tourism and Hotel Management.

- ***Joint Student Cultivation:*** We cooperate closely with enterprises to train students to meet the hiring needs of the cooperating enterprises. Employees of such enterprises will participate in the teaching of relevant courses that are specifically tailored to the participating enterprises and their industry so that students can acquire specific knowledge and skills that are desired by such enterprises. For example, our College has entered a cooperation agreement with an e-commerce technology company in Shanxi Province, to jointly design e-Commerce related practical courses. The company will provide external training opportunities for our teachers, and our College will invite professionals from the company as visiting professors giving lectures to our students. We will also jointly build up on-campus and off-campus practical training bases focusing on application of the theoretical knowledge of e-Commerce, share scientific research resources, and select students for targeted training courses (訂單班) and internship programs for secure better employment opportunities offered by the company.

- ***Joint Practical Training:*** We cooperate with enterprises to provide on-campus and off-campus training, internships and practical training opportunities to our students. For example, we jointly established an enterprise-like simulated training base at our College with a securities company in Shanxi Province. This base aims to stimulate the workplace environment of a securities company, allowing participating students to practice simulated trading through mock stock trading competitions. In addition, we cooperate with enterprises to help arrange off-campus internships and practical training programs for our student corresponding with their respective majors. As of the Latest Practicable Date, there were a total of 103 off-campus internships and practical training programs in progress that we had arranged for students.

International Program

We currently also offer an international program to satisfy our students' increasing demand for foreign language training and international exposure. In September 2017, we entered into a cooperative agreement with Cardiff Metropolitan University in the United Kingdom that allows for mutual recognition of credits of undergraduate programs between our College and Cardiff Metropolitan University. Further to this agreement, we have established a "3+1" program with Cardiff Metropolitan University, under which our students whose academic performance in the first three years of their undergraduate programs meets certain criteria set by Cardiff Metropolitan University are eligible to apply to enroll in a one year master's program at Cardiff Metropolitan University, obtaining both a bachelor's degree granted by our College and a master's degree granted by Cardiff Metropolitan University. As of the Latest Practicable Date, we had 13 students enrolled in this joint degree program.

Examinations and Grade Assessment

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

Career Development

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

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

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

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

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

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

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

Note:

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

Entrepreneurial Development

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

On-campus incubation facilities

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

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

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

Innovation and entrepreneurship practice activities

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

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

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

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

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

School Facilities

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

OUR TEACHERS

Our Teaching Staff

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

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

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

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

Notes:

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

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

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

Note:

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

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

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

Notes:

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

(2) According to the Conditions, the number of teachers used to calculate teacher-to-student ratio equals the number of full-time teachers, plus 0.5 times the number of part-time teachers.

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

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

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

Note:

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

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

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

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

Teacher Recruitment

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

Teacher Retention

Since the retention of talented teachers is a prerequisite for the stable development of our College and a key part of maintaining the quality of our education services, we have adopted the following measures:

- We believe we offer relatively competitive compensation and professional development opportunities to our teachers. Please see "— Compensation and Benefits" below for further details. Our research and development fund allows teachers to improve their scientific research capabilities in different disciplines of study. In addition, we provide our teachers with continuing education opportunities, such as exchange and training opportunities at other institutes and external training opportunities at companies in private industries, social organizations and other agencies. Please see "Teacher Training" below for further details.

- we maintain a promotion system, which allows our teachers to see the potential of their success at our College and the fact that their contributions and dedication will be highly valued and recognized; and

- we share our strategic goals, culture and management policies with our teachers, which to reinforce the idea of a shared community and their potential to grow together with our College.

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

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

Notes:

(1) Although our school year typically starts at the beginning of September, the administrative work that facilitate the registration of students' academic files, the collection of tuition and boarding fees and other admission-related are generally completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our enrollment figures and certain other business operating data in this document, and the teacher figures listed here for the 2017/2018, 2018/2019 and 2019/2020 school years are the number of teachers as of September 30 of such school year.

(2) The number of full-time teachers who left our College for the 2017/2018, 2018/2019 and 2019/2020 school years included those teachers who left our College as of September 30, 2018 and 2019 and October 31, 2020, respectively. Such number was based on the internal records of our College.

Teacher Training

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

Compensation and Benefits

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

Teaching Performance Evaluations

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

Selection and Design of Teaching Materials and Textbooks

We adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our education, including closely following the guidance issued by the MOE. Our College has implemented a set of teaching material compilation and management policies, which covers the selection, procurement, distribution and management of the teaching materials to be used by our College. We generally prefer to select textbooks formulated according to the national plan or awarded textbooks and typically use teaching materials published within the past three years, which must comply with the basic course requirements and course syllabi for each major offered at our College.

OUR STUDENTS

Overview

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

Student Enrollment and Capacity

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

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

Notes:

(1) Newly-enrolled students' information for the school years indicated was based on the internal records of our College. Enrollment figures for newly-enrolled students for each school year are as of September 30 of the 2017/2018, 2018/2019 and 2019/2020 school years and as of October 31 of the 2020/2021 school year as the beginning of that school year was delayed for approximately one month for new students as a result of the impact of the COVID-19 pandemic.

(2) As a higher education service provider, the number of new students our College may admit for each school year is generally limited by an admission quota specified by the relevant education authorities, which is subject to subsequent adjustment by such authorities after admitting prospective students based on students' listed preferences and the Gaokao scores they obtained. The original admission quota and any subsequent adjustments are made by the relevant education authorities and are beyond our control.

(3) The admission quota utilization rate is calculated as the aggregate student enrollment for a school year divided by the aggregate admission quota approved by the relevant education authorities. We did not fully utilize the admission quota during the school years indicated, mainly because certain number of prospective first-year students who were admitted into our College during recruitment season eventually did not enroll in the programs of our College in the upcoming school year.

(4) Our College generally recruits students from across China (i) who possess a high school or equivalent qualification and have achieved our required total score on the National Higher Education Entrance Examination, (ii) are junior college students who are in the final year of study and have achieved our required total score on the unified upgrading examination, or (iii) are secondary vocational school students who are in the final year of study and have achieved our required total score on the relevant college entrance examination.

(5) Our College ceased admitting new junior college students starting from the 2018/2019 school year.

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

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

Notes:

(1) The student enrollment information for the school years indicated was based on the internal records of our College.

(2) Our College is a boarding school and accordingly, we generally provide beds for our students enrolled. The respective capacity of our Longcheng campus and Beige campus represents the approximate number of students that our student dormitories in Longcheng campus and Beige campus are designed to accommodate for the relevant school year. It is derived from the number of available beds in the standard rooms of the relevant student dormitories in Longcheng and Beige campus according to our College's internal records.

(3) The school utilization rate is calculated by dividing the respective number of students resided in Longcheng campus and Beige campus in a particular school year by the maximum student capacity for the same school year in Longcheng campus and Beige campus respectively.

(4) The beginning of the 2020/2021 school year was delayed until October 12, 2020 for new students. For purposes of providing fair comparable figures, we use September 30 for the 2017/2018, 2018/2019 and 2019/2020 school years, and October 31 for the 2020/2021 school year to present student enrollment, school capacity and school utilization rate figures.

(5) In July 2019, we relocated over 1,700 students in our School of Finance from Longcheng campus to newly-built student dormitories on Beige campus, and new students in our School of Finance also started to live on Beige campus since the 2019/2020 school year, causing student enrollment in Longcheng campus to significantly decrease, while the student enrollment in Beige campus significantly increased.

(6) We completed two new student dormitories in July 2019 as part of Phase III of our construction plan for Beige campus to further increase our College's student capacity. These two newly-established student dormitories campus can accommodate an additional approximately 2,000 students. Therefore, our school capacity in Beige campus significantly increased since the 2019/2020 school year.

Student Admission

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

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

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

TUITION AND BOARDING FEES

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

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

Notes:

(1) The tuition fee rates charged for the two management majors in engineering management and engineering cost were RMB15,120 per year per student for each school year indicated above.

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

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

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

Notes:

(1) The amount represents the average of tuition fees for each student. For illustration purposes, the average tuition fee for the 2017/2018, 2018/2019 and 2019/2020 school years is calculated by dividing the revenue generated from tuition fees, respectively, for a given financial year by the number of students enrolled on September 30 of each such financial year. For example, the average tuition fee for the 2019/2020 school year is calculated by dividing the tuition fee revenue generated for such year by the number of students enrolled in our College as of September 30, 2019.

(2) The amount represents the average of boarding fees for each student. For illustration purposes, the average boarding fee for the 2017/2018, 2018/2019 and 2019/2020 school years is calculated by dividing the revenue generated from boarding fees, respectively, for a given financial year by the number of students enrolled on September 30 of each such financial year. For example, the average boarding fee for the 2019/2020 school year is calculated by dividing the boarding fee revenue generated for such year by the number of students enrolled in our College as of September 30, 2019.

(3) Due to the outbreak of COVID-19, the Department of Education of Shanxi Province, the Shanxi Development and Reform Commission, and the Department of Finance jointly issued the Notice on School Fee Management Work during the Period of Epidemic Prevention and Control (《關於做好疫情防控期間學校收費管理工作的通知》). Pursuant to the Notice, we were required to refund a portion of boarding fees to our students. Therefore, the average boarding fees for the 2019/2020 school year decreased significantly. See "— Student Withdrawal and Refund" below for further details.

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

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

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

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

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

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

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

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

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

Student Withdrawals and Refund

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

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

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

	Number of Students Withdrawing(1)(2)		
	School Year		
	2017/2018	**2018/2019**	**2019/2020**
Withdrawing students	33	37	21

Notes:

(1) Refers to the number of students who were enrolled in our College as of September 30 but withdrew during such school year. We present the number of students withdrawn based on the internal records of our College as of August 31 for the corresponding school year.

(2) Main reasons for student withdrawal from our programs include: (i) students cannot adjust themselves to university study, (ii) students choose to study abroad, (iii) students choose to re-participate in the National Higher Education Entrance Examination, (iv) students choose to start their own business ventures, (v) students join the army, and (vi) health or other personal reasons.

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

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

Notes:

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

(2) The amount of boarding fees refunded for the year ended August 31, 2020 includes the amount of RMB5.4 million we refunded due to the closing of our campuses as a result of the COVID-19 pandemic pursuant to the Notice.

OUR SCHOOL MANAGEMENT

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

School Administration

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

Market Research

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

Campus Services

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

Meal Catering Services

As of the Latest Practicable Date, there were seven canteens on our College campuses, including four canteens on our Longcheng campus and three canteens on our Beige campus, to provide meals to our students and faculty. Over the Track Record Period, we outsourced meal catering services at these canteens to Shanxi Tuohuang Property Management Co., Ltd. (山西拓荒物業管理有限公司) ("**Shanxi Tuohuang**"), for an annual lump sum management fee paid by Shanxi Tuohuang to our College in return for the premises and other basic utilities we provided. Shanxi Tuohuang, an Independent Third Party as of the Latest Practicable Date, was held as to 31.8% by Mr. Niu Jian until June 2018, when Mr. Niu Jian disposed such interest. We typically enter into cooperation agreements with a term of five years. Pursuant to such cooperation agreement, Shanxi Tuohuang is required to arrange for meal catering services to be provided to our students and faculty in premises we provide and ensure such services comply with relevant rules and regulations on sanitation and safety. Shanxi Tuohuang is also required to ensure that for each meal, the relevant canteen is open for a certain number of hours for each meal service. Shanxi Tuohuang cooperates with other third-party catering providers and suppliers to help provide the necessary services. We are responsible for supervision and inspection of the operating hours, suppliers, price range and food provided to our students and faculty by the third-party service providers. We have obtained all the relevant licenses and permits required by laws and regulations for operation of meal catering services. We also require the third-party service providers to obtain relevant licenses and permits required by laws and regulations. For risks associated with meal catering services, please see "Risk Factors — Risks Relating to Our Business and Our Industry — We outsource the meal catering services for our College to an Independent Third Party and, as a result, we cannot guarantee that the quality and price of the food service they provide are always the best available and we may be exposed to potential liability if food service quality does not comply with relevant standards." in this document.

Campus Stores

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

Medical Care Services

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

School Information Technology Infrastructure

To facilitate our students' and teaching staff's access to the most up-to-date and expansive information resources and encourage self-learning, we have invested approximately RMB6.9 million into implementing and upgrading our information technology infrastructure, including electronic equipment and software, during the Track Record Period. Our information platform and systems include:

- Fanya Network Teaching Platform (泛雅網絡教學平臺) system, which enables students to use online platforms and mobile devices to access online courses. Our teachers participate in the process by tutoring, assigning homework and assisting students' self-learning. Students are able to use the platform to access thousands of course videos, millions of electronic books and a variety of other teaching materials and interact with teachers online. All course videos can be replayed and repeated. This system not only enhances our students' self-learning ability but also reduces the workload of our teachers and the costs spent on general and elective education courses; and

- Collaborative office systems, which supports the daily operation and management of the majority of information systems of our College, including a unified portal management system, an office automation system, a teaching affairs management system, a student affairs management system, a human resource management system, a library information network system and an archive management system, among others. The application of this technology not only reduces the workload and maintenance costs of user-side terminal equipment, but also gives us the flexibility to upgrade server and facilitate future hardware upgrade with minimum expenditure.

Data Privacy and Security

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

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

FUTURE DEVELOPMENT

Overseas Institution

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

The Company entered into a service agreement with the Agent in September 2020, pursuant to which the Agent is responsible for providing a range of supporting services, including the setting up of General Business University of California Incorporated, developing the website of the US School, designing the curriculum for two degree programs of the US School, the recruitment of teachers and administrative staff, and the preparation and submission of the application to the BPPE for the license to operate the US School, for a fee of US$38,625 (inclusive of the BPPE application fee). The Company has also agreed to pay the Agent a monthly fee of US$1,500 for a representative of the Agent to act as the chief academic officer, dean of business and the contact person of the US School. The Agent has nominated its sole member as such representative.

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

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

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

Subject to, among others, the timing of obtaining approval from BPPE, our ability to hire qualified teachers and recruit students and the tuition fee rates the US School will be able to charge at the relevant time, we estimate that the US School will breakeven in the fourth year after its establishment and the investment payback period will be approximately 4.96 years.

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

POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND RELATED IMPLEMENTATION RULES

The 2016 Decision

Pursuant to the 2016 Decision, which became effective on September 1, 2017, private schools will no longer be classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that the schools providing compulsory education must be non-profit. The school sponsors of for-profit private schools are allowed to receive income from the operation of the school and the balance of running such schools. By contrast, the school sponsors of non-profit private schools are prohibited from receiving income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. In addition, for-profit private schools are entitled to have discretion in determining the fees collected from the students in accordance with the market conditions while the fee collection of non-profit private schools shall be subject to provincial government regulation. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, please see "Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" of this document.

Implementation Rules under the 2016 Decision at the State Level

In addition to the 2016 Decision, certain implementing rules were jointly promulgated by certain governmental departments at the state level in December 2016, including:

- the Implementing Measures on Classification Registration of Private Schools, which were issued on December 30, 2016, specified the competent authorities that will be responsible for the registration of for-profit and non-profit private schools. Once elected to be non-profit, a private school will have to amend its articles of association and complete the registration. Meanwhile, a for-profit private school will be required to go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government;

- the Implementing Measures for the Supervision and Administration of For-profit Private Schools, which were issued on December 30, 2016, specified certain requirements regarding the establishment, modification and termination of a for-profit private school and the education and teaching related activities and financial management conducted by a for-profit private school; and

- the Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promoting the Healthy Development of Private Education, which were issued on December 29, 2016, specified certain policies to be followed to promote private education. The PRC government at all levels are responsible for formulating and perfecting supporting policies for non-profit private schools, including, but not limited to, government subsidies, government procurement services, fund incentives, donation incentives, land allocation and tax deduction and exemption, and meanwhile may support the development of for-profit private schools by different ways including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service.

Implementing Rules under the 2016 Decision in Shanxi Province

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

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

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

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

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

The 2016 Decision

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

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

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

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

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

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

- The rights and interests of the sponsors of our College will be protected in more definitive and favorable ways: the 2016 Decision provides that the school sponsors of for-profit private schools can obtain the schools' operating profits, and the remaining assets upon liquidation after the settlement of the school's indebtedness in accordance with the PRC Company Law and other relevant laws and administrative regulations, and the standards and types of the fees should be publicized to the public and subject to supervision by relevant competent authorities;

- Our College shall have the discretion to determine the amount of fees to be charged in accordance with the 2016 Decision. If Shanxi Tongcai opts to register our College as a for-profit private school, our College would be entitled to make its own decisions about the standards and types of the fees to be charged by our College based on our College's operating costs and market demand;

- Our College may enjoy support from certain PRC government policies: the 2016 Decision stipulates that the governments at or above the county level in the PRC can provide various policy support to for-profit schools, such as preferential tax policies and student loans;

- There may be increased uncertainty about the extent of the benefits to be provided by the government supporting measures: according to the 2016 Decision, while land will be supplied to non-profit private schools by the government through allocation or other means, for-profit private schools are not expected to enjoy the same treatment as public schools and non-profit private schools; and

- Our College will be subject to the requirements of applying for re-registration: the 2016 Decision also requires that private schools choosing to register as for-profit schools shall carry out financial settlement procedures, clarify property ownership, pay the relevant taxes and fees, and re-apply for registration.

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

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

The 2021 Implementing Regulations

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

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

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

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

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

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

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

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

(i) our future acquisition may be subject to more stringent regulations. According to Clause 12 of the 2021 Implementing Regulations, if the sponsor is a legal person, its controlling shareholder and the actual controller must meet the requirements stipulated by laws and administrative regulations for the establishment of a private school, and any change of the controlling shareholder or the actual controller, must be reported to the competent department for record-filing and publicity. The aforementioned requirements for the establishment of a private school are not defined under the 2021 Implementing Regulations. According to Clause 13 of the 2021 Implementing Regulations, any social organizations or individuals shall not control compulsory education private schools or non-profit private schools which offer preschool education through mergers or contractual arrangements. Therefore, we cannot assure you that such requirements will be always fulfilled successfully or in a timely manner or at all, which may bring more uncertainty to our expansion plan. Furthermore, as advised by our PRC Legal Advisors, we may not be able to acquire compulsory education private schools or non-profit private schools which offer preschool education held by others using methods such as mergers or "contractual arrangements";

(ii) According to the 2021 Implementing Regulations, private schools that provide compulsory education are not allowed to enter into transactions with Interested Parties, while other private schools shall conduct transactions with their Interested Parties in a manner that is open, justified and fair, conducted at reasonable pricing, and subject to standardized decision-making established for such transactions and not harmful to the interests of the State, schools, teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their Interested Parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial department, shall strengthen supervision over agreements signed between non-profit private schools and their Interested Parties, and shall review connected transactions annually;

(iii) there are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the 2021 Implementing Regulations. See also "Risk Factors — Risks Relating to Our Business and Our Industry — New legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects. We are subject to uncertainties brought by the 2016 Decision, the 2021 Implementing Regulations and related implementation rules" in this document. There can be no assurance that our current decision to register our College as a for-profit private school will not materially and adversely affect our business, financial condition and results of operations. We will make the relevant amendments to our Group's decision in response to the developments of 2016 Decision and the 2021 Implementing Regulations after consulting our PRC Legal Advisors.

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

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

- our Board will continuously review the compliance of our College in relation to the registration as a for-profit private school on a regular basis;

- major development and changes arising from the implementation of relevant laws and regulations will be submitted to our Board for review on an occurrence basis;

- we will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the compliance of our College with any updated relevant laws and regulations; and

- we will seek guidance and/or clarifications from the relevant government authorities, if necessary, to assist our Board to understand the requirements under the relevant laws and regulations applicable to our College.

Our Control Measures

As part of our measures to mitigate any compliance risk in relation to the 2016 Decision, the 2021 Implementing Regulations and other relevant developments, including our decision to register our College as a for-profit private school or a non-profit private school in the future, we have established a special committee to pay close attention to the developments of the relevant policies and regulations, including the 2016 Decision and the 2021 Implementing Regulations and the operations of our College. The special committee consists of Mr. Niu Jian (牛健), one of our executive Directors, and Mr. Zhang Zhiwei (張志偉), the risk management controller of our Group. For details on working experience relating to risk management of Mr. Zhang Zhiwei, see "Directors and Senior Management — Senior Management" for details. The special committee will mainly consider factors including tax treatment, government support, re-registration procedures, school sponsor's rights to operating surplus and residual assets, cost to obtain land use right and public image when determining to register our College as for for-profit private school or non-profit private school. We will also promptly consult with our PRC Legal Advisors as and when required. When a preliminary conclusion is reached, the special committee will submit a comprehensive risk management and internal control report for review by the Board. As of the Latest Practicable Date, we do not have an expected timeline to register our College as a for-profit private school. Mr. Niu Jian and Mr. Zhang will ensure that our acquisition in the future will fully comply with the relevant rules and regulations in effect from time to time. We will ensure that any decision will be made on a fully informed basis by our Board taking into account the findings of Mr. Niu Jian and Mr. Zhang and will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate.

COMPETITION

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

- the reputation of our College;

- our extensive operating experience;

- the high employment rate of the graduates of our College;

- the scope and quality of the education programs, services and offerings;

- overall student experience;

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

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

CUSTOMERS AND SUPPLIERS

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

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

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

For the Year Ended August 31, 2018

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

Notes:

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

(2) Such amount included our transaction amount with Supplier E which Tongcai Investment held a 51% interest until disposing of such interest in August 2018. Supplier E is a private company which engages in sales of textbooks, periodicals and teaching and office equipment. For the years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, our transaction amounts with such supplier was RMB4.5 million, RMB3.4 million, RMB1.2 million and RMB0.6 million, respectively.

For the Year Ended August 31, 2019

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

Note:

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

For the Year Ended August 31, 2020

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

Note:

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

For the Four Months Ended December 31, 2020

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

Independence of our Top Five Suppliers

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

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

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

INTELLECTUAL PROPERTY

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

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material adverse impact on our Group. See also "Risk Factors — Risks Relating to Our Business and Our Industry — We may face disputes from time to time relating to the intellectual property rights".

AWARDS AND RECOGNITIONS

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

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

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

EMPLOYEES

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

Function	Number of Employees	% of Total
Teachers [1]	1,102	73.4
Teaching assistants	150	10.0
Management	9	0.6
Administrative staff	199	13.2
Accounting and finance staff	7	0.5
Logistics personnel	34	2.3
Total	1,501	100.0

Note:

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

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

PROPERTIES

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

Owned Properties

Land

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

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

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

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

Note:

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

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

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

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

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

Note:

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

(2) Pursuant to the Land Compensation Contract entered into between our College and a village committee ("**Village Committee**") on June 18, 2009, the land was proposed to be requisitioned by our College, the gross site area of land was approximately 17.1 mu (11,400.0 sq. m.), and the existing use of the land is collective land. The land acquisition compensation was fully settled in August 2010. The intended use of the land is for construction of teaching facilities on Beige campus. Since the aforementioned contract was signed and up to the Latest Practicable Date, our College had not built any buildings on such land. As of the Latest Practicable Date, the land was still classified as collectively-owned land.

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

Buildings

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

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

For risks and uncertainties associated with our failure to obtain the necessary permits or carry out necessary procedures in relation to buildings we use, please see "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises and several of the properties we use for our operations are not in compliance with applicable laws and regulations" in this document.

Leased Properties

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

Properties used by us for free

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

Regulatory Requirements Relating to the Ratio of School Site Area/Teaching and Administrative Building Area to the Number of Students Enrolled

As advised by our PRC Legal Advisors, our College is subject to certain requirements in relation to the prescribed ratio of school site area/teaching and administrative building area to the number of students enrolled. According to the Conditions, except for sports and arts schools, the ratio of a higher educational institution's teaching and administrative building area to the number of students enrolled, which is one of the Basic Indicators, shall be nine to 16 sq.m. per student enrolled depending on under which applicable school category such higher education institution falls. The applicable standard threshold of the ratio of our College's teaching and administrative building area to the number of students enrolled shall not be less than nine sq. m. and the restrictive threshold of such ratio shall not be less than five sq. m. as our College falls under the category of finance and economics school as stipulated by the Conditions.

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

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

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

Note:

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

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

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events, such as school liability insurance and student safety insurance. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We believe our insurance coverage is generally consistent with industry practice in the PRC and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks Relating to Our Business and Industry — We maintain limited insurance coverage" for more information.

LICENSES AND PERMITS

Our PRC Legal Advisors, Commerce & Finance Law Offices, have advised that during the Track Record Period and up to the Latest Practicable Date, except for certain non-compliance matters as disclosed in "— Legal Proceedings and Non-compliance" in this document and other than disclosed in this section below, (i) we had obtained all licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and (ii) such licenses, permits, approvals and certificates remained in full effect.

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

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

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

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

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

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

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

HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Health and Safety Matters

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

In view of the recent COVID-19 outbreak, and to better protect the safety and health of our students and faculty, consistent with the Guiding Opinions on the Organization and Management of Online Teaching in Ordinary Colleges and Universities During the Period of Epidemic Prevention and Control (《關於在疫情防控期間做好普通高等學校在線教學組織與管理工作的指導意見》) issued by MOE and the Notice on Doing a Good Job in Teaching and Management in Colleges and Universities During the Delayed Start of School Due to Epidemic Prevention and Control (《關於做好因疫情防控延遲開學期間高校教學和管理工作的通知》) issued by the Department of Education of Shanxi Province, our school campuses suspended on-campus operations from March 2020 to May 2020. We postponed the commencement of the spring semester of the 2019/2020 school year for our College and set different back-to-school timelines for the students until May and June 2020. Before our students returned to school, we conducted online courses as an alternative to in classroom learning for the spring semester from March 2020 to June 2020. See "— Our College — Curriculums and degrees" in this section" for more details.

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

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

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

Social and Environmental Matters

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

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

Governance on ESG Matters

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

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

Risks and Potential Impacts

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

Measures and Strategies in Addressing ESG-Related Risk

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

- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis;

- discussing among management from time to time to ensure all the material ESG areas are recognized and reported;

- discussing with key stakeholders on an ongoing basis on key ESG principles and practices as well as their concerns and expectations to ensure that the significant aspects are covered;

- setting targets for each major ESG KPI with reference to guidance on ESG released by the Stock Exchange, including emission, pollution and other impact on the environment aiming at reducing emissions and natural resource consumption and evaluate the ESG results annually; and

- adopting incentive policies for the management in relation to ESG matters, including but not limited to achievement of the announced ESG targets.

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

Metrics and Targets

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

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

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

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

LEGAL PROCEEDINGS AND NON-COMPLIANCE

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

Set forth below is a summary of our non-compliance matters during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
1.	During the Track Record Period, we did not make the social insurance payments and housing provident fund contributions in full for our employees as the payment bases of social insurance and housing provident fund of such employees were not determined with reference to the actual salary levels of such employees as prescribed by the applicable PRC laws and regulations. We did not handle the registration for the housing provident fund and did not make any housing provident fund contributions for our employees until we had rectified such registration and began to make housing provident fund contributions since April 2017. As of August 31, 2018, 2019 and 2020 and December 31, 2020, the aggregate amount of underpaid social insurance contributions was approximately RMB2.8 million, RMB2.0 million, RMB2.3 million and RMB2.7 million, respectively, and the aggregate amount of unpaid housing provident fund contributions was approximately RMB2.9 million, RMB2.5 million, RMB1.9 million and RMB1.5 million, respectively.	These non-compliance incidents were mainly due to administrative oversight and our human resources staff being unfamiliar with relevant regulatory requirements.	As advised by our PRC Legal Advisors, if the competent PRC government authority is of the view that the social insurance payments we made for our employees were in breach of the relevant PRC laws and regulations, we may be ordered to pay the outstanding balance to the relevant PRC local authorities within a prescribed period and a late fee of 0.05% of the total outstanding balance per day from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging between one to three times of the total outstanding balance. As advised by our PRC Legal Advisors, if the competent PRC government authority is of the view that the contributions for the housing provident fund we made for our employees were in breach of the relevant PRC laws and regulations, we may be ordered to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. If we fail to do so within the prescribed period, the competent PRC government authority can apply to the People's Court for compulsory execution. We estimate that the potential maximum penalty for our non-compliances in relation to social insurance payments is approximately RMB14.0 million if we fail to pay the outstanding balance to the relevant PRC local authorities within a prescribed period when ordered by such authorities.	As of the Latest Practicable Date, no administrative action had been initiated, and no fine or penalty had been imposed against us by the relevant PRC government authorities with respect to these non-compliance incidents, nor had any order been received by us to settle the outstanding amount of social insurance payments or housing provident fund contributions.	On the basis that, (i) we had made provision of approximately RMB4.2 million as of December 31, 2020, for the outstanding balance related to social insurance and the housing provident fund; and (ii) we have undertaken, that if we receive any order from the relevant authorities requiring us to settle the unpaid social insurance payments and housing provident fund contributions we will fulfill the requirements in a timely manner, our Director are of the view that even if we were fined or penalized by the relevant authorities due to our failure to make full contributions of social insurance and housing provident fund, the impact on our business operation and financial results would not be material.	Since January 2019, we have made full contribution to social security for our employees in accordance with the relevant PRC laws and regulations. Since May 2020, we have made full contribution to the housing provident fund for our employees in accordance with the relevant PRC laws and regulations. We have reviewed our internal control policies and measures and have designated Mr. Zhang Zhiwei (張志偉), our risk management controller, to closely monitor our on-going compliance with social insurance payments and housing provident fund contributions and to oversee and ensure the effective implementation of our internal control policies and measures. In addition, our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses which may be incurred by us arising from such non-compliance incidents.

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

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

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
					Based on the foregoing, our Directors are of the view that the provision made for underpayment of social insurance contributions and housing provident fund contributions is sufficient and the maximum payment amount for outstanding social insurance payments and contributions to the housing provident fund would not have a material adverse impact on our Group. Therefore, our Directors believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.	

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

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

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
3.	During the Track Record Period, in January 2019, our College was subject to administrative penalties imposed by the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局) in connection with occupying collective land which was designated as land for construction with total gross floor area of 1,344.24 sq. m. without governmental approval.	The non-compliance occurred mainly due to administrative oversight and our staff being unfamiliar with property-related laws and regulatory requirements. Relevant staff in our infrastructure office only obtained verbal confirmation from the person in charge of municipal construction who did not have authority to provide such confirmation for the use of the property before the commencement of construction on the subject land.	Our College was ordered to return the occupied land and the buildings and/or any ancillary structures improperly built on the land were ordered to be confiscated. The aggregate administrative penalties amounted to approximately RMB40,327. In April 2021, with the assistance of our PRC Legal Advisors, we consulted with an officer of the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局), being the competent land and resources authority regulating our College in respect of land use and planning, as advised by our PRC Legal Advisors. During such consultation, it was verbally confirmed that, our College does not have ongoing or potential disputes or disputes related to land management, and is not subject to investigations or administrative penalties in violation of national and local land management laws, regulations, rules or relevant provisions. In October 2020, with the assistance of our PRC Legal Advisors, we consulted with a deputy director of the Bureau of Natural Resources of Xiaodian District, Taiyuan City (太原市小店區自然資源局). During such consultation, it was verbally confirmed that this matter has been fully settled and we will not be imposed penalties or fines for the same subject matter. As advised by our PRC Legal Advisors, the Bureau of Natural Resources of Xiaodian District is the competent authority to provide such regulatory confirmation as (i) the Bureau of Natural Resources of Xiaodian District is responsible for the supervision and management of natural resources in Xiaodian District, in which our College is located; (ii) such bureau confirmed that our College had paid the fines on time and had returned the improperly occupied land; and (iii) pursuant to the Law of the People's Republic of China on Administrative Penalties, repeated administrative penalties shall not be imposed on parties who commit the same unlawful act more than once since our College had been subject to administrative penalties imposed by the Bureau of Planning and Natural Resources of Taiyuan City (太原市規劃和自然資源局).	As of the Latest Practicable Date, we had fully settled these administrative penalties and had returned the improperly occupied land.	Our Directors consider that the non-compliance issue will not have any material adverse effect on our operations.	We have adopted the following internal control measures to mitigate the risk of any future recurrence of such non-compliance: (i) we have appointed Mr. Zhang Zhiwei (張志偉), our risk management controller, to supervise and monitor our use of land and related activities; (ii) we have engaged an independent business consulting and internal audit firm (the "Internal Control Consultant") and PRC Legal Advisors to provide internal control training in respect of the compliance with applicable laws and regulations to our Directors and senior management and will provide annual training sessions relating to property-related laws and regulatory requirements to relevant employees in our infrastructure office; all relevant staff will be made aware that no commencement of construction is permitted before actually obtaining the required approvals and we will notify all relevant staff the status of all required approvals on a regular basis; and (iii) we have established a certificate management procedure setting out detailed steps to facilitate our staff to ensure that we obtain and update certificates in a timely and comprehensive manner. We will consult with relevant governing authorities and obtain required approvals before the commencement of any construction work.

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
4.	As of the Latest Practicable Date, all of the buildings in which we held interests and our construction work on Longcheng campus and Beige campus had certain defects, as follows: (1) 33 buildings on our Longcheng campus with an aggregate gross floor area of approximately 67,260.1 sq. m. and all 29 buildings with an aggregate gross floor area of approximately 176,893.0 sq. m. on our Beige campus did not possess real estate title certificates or buildings ownership certificates. Among them, (i) one had commenced construction not in accordance with the construction planning permit subsequent to obtaining such and had commenced construction without obtaining the construction commencement permit; (ii) five had not completed fire control design and inspection before commencement of construction; (iii) 18 had not completed fire control inspection and acceptance before putting them into use; (iv) seven had not completed construction project completion acceptance check before being put into use; (v) 11 had not filed the requisite construction project completion acceptance check; and (vi) 30 buildings on Longcheng campus and 14 buildings on Beige campus that had also failed to perform any of the required construction project approval procedures, including commencing construction without obtaining the construction planning permit, commencing construction without obtaining the construction commencement permit, not completing fire control design and inspection before commencement of construction, and not completing fire control inspection and acceptance before putting them into use. Among the 44 buildings, 43 also had not completed construction project completion acceptance checks before being put into use, and one also had not filed the required construction project completion acceptance check;	We had not obtained real estate title certificates or building ownership certificates with respect to such buildings, primarily due to delays in the relevant fire control design and inspection, fire control inspection and acceptance, construction project completion acceptance check, or environmental protection inspection and acceptance check, all of which are prerequisites for applying for real estate title certificates or building ownership certificates. These property-related non-compliance incidents were mainly due to administrative oversight; our staff were unfamiliar with and misunderstood certain property-related laws and regulatory requirements and procedures; and our relevant staff did not seek proper advice from external advisers or our management team.	As advised by our PRC Legal Advisors, we may be subject to the following fines and/or penalties in connection with the non-compliances: • for construction work that is carried out without a construction planning permit, the license issuing authority with jurisdiction shall order the construction to be ceased, and (i) we may be subject to a fine ranging from 5% to 10% of the construction cost and ordered to rectify the impact on the planning caused by such construction, if such impact can be rectified; or (ii) we may be subject to a fine of not more than 10% of the construction cost and the confiscation of the building and/or any income illegally earned from such construction, if such impact cannot be rectified and the building cannot be demolished; • for construction work that is carried out without a construction commencement permit, the license issuing authority with jurisdiction shall (i) order the construction to be ceased; (ii) order rectification within a prescribed time limit; and (iii) impose a fine of not less than 1% and not more than 2% of the contract price of the construction; • for buildings that were constructed without passing fire control design and inspection before commencement of construction, we are subject to the risk of being prohibited from using these buildings or of being ordered to close our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000 for each building; • for buildings that were put into use without passing the fire control inspection and acceptance, we are subject to the risk of being prohibited from using these buildings or being ordered to close our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000 for each building;	As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us in relation to these buildings and construction work. For buildings that have completed fire control design and inspection, we expect to complete fire control inspection and acceptance by the end of the third quarter of 2021. For buildings that have not completed fire control design, we expect to submit our fire control design by the end of the third quarter of 2021 and proceed to complete the inspection of fire control design and fire control inspection and acceptance procedures after submission following the inspection schedules of relevant government authority.	For the reasons set out below, our Directors consider that the non-compliance issues concerning our buildings will not have any material adverse effect on our operations as a whole: (i) there have not been any material safety incidents directly attributable to the safety of the school buildings and facilities and no regulatory intervention or concerns relating to the school buildings and facilities have been raised by competent authorities; and (ii) we regularly maintain the buildings and are of the view that the safety conditions of such buildings are sound.	(1) we have engaged two third-party engineering companies to carry out fire control related maintenance and renovation work to ensure that the buildings meet the relevant fire control standards. Based on the qualifications and licenses of the third-party engineering companies, our Directors are of the view that the third party agencies are competent and qualified to provide such assurance. We inspect and maintain the properties on a regular basis with a view to ensuring satisfactory safety and fire control conditions. Based on the safety and fire control records and the measures that we have taken, we believe the buildings are fit and safe for education purposes; (2) it normally takes approximately 10 months to complete the self-conducted environmental protection inspections and acceptance checks, which includes carrying out self-inspection and improvement work as required, preparation of the acceptance report, engaging relevant qualified expert to verify and accept the inspection work and publicizing the results of the inspections and acceptance checks. Pursuant to the Notice, for the 2019/2020 school year, our College was unable to timely open its campuses for the spring semester of 2020 as previously scheduled. Thus, we started our self-inspection and improvement work in the 2020/2021 school year. We have engaged a qualified independent environmental inspection and acceptance check company to conduct the verification and acceptance check in March 2021 as some of the tests can only be performed when our campuses are open and our students are on campus. We expect to complete the self-conducted environmental protection inspections and acceptance checks by the end of 2021.

No.	Non-compliance Incident	Reasons for the Non-compliance	Legal Consequence and Potential Maximum Penalties	Latest Status	Potential Operational and Financial Impact on our Group	Remedies and Rectification Measures and Enhanced Internal Control Measures
	(2) three buildings on our Longcheng campus had not completed fire control design and inspection before commencement of construction; (3) 19 buildings on our Longcheng campus had not completed fire control inspection and acceptance before being put them into use; and (4) our construction work on Beige campus is required to, but as of the Latest Practicable Date had failed to, complete environmental protection inspection and acceptance checks before being put into use.		• for construction projects we have put into use without passing the construction project completion acceptance check, we may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed; • for construction projects for which we did not file construction project completion acceptance check, we may be ordered to rectify and may be subject to a fine between RMB200,000 and RMB500,000 for each building; and • for construction project that were put into use without passing environmental protection inspection and acceptance check, we are subject to the risk of being required to adopt remedial measures within certain period with a fine between RMB200,000 and RMB1,000,000 or being fined between RMB1,000,000 and RMB2,000,000 for failure to adopt remedial measures within certain period. We estimate that the potential maximum penalty for the non-compliance incidents relating to our buildings is approximately RMB74.1 million.			(3) we have adopted the following internal control measures to mitigate the risk of any future recurrence of such non-compliance: (i) we have appointed our Mr. Zhang Zhiwei (張志偉), our risk management controller, to supervise and monitor our property related activities; (ii) we have engaged Internal Control Consultant and PRC Legal Advisors and have provided internal control training in respect of the compliance with applicable laws and regulations, in particular, laws and regulatory requirements relating to property-related matters to our Directors and senior management and to provide continuing regular training sessions to our Directors, senior management and relevant employees in our infrastructure office; and (iii) we formulated environmental protection compliance policies and designated our infrastructure office to prepare for environmental impact assessment report on time to ensure our compliance with environmental protection laws and regulations. (4) we are in the process of fulfilling the assessment procedures for the relevant inspections and applying to the relevant government authorities for the outstanding certificates and permits, and are closely following up with the government authorities with respect to our applications; and (5) our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses which may be incurred by us arising from such non-compliance incidents.

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

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

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

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

We have established internal control measures and our College has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our College) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Mr. Zhang Zhiwei (張志偉) is responsible for ensuring our overall on-going compliance.

Risk Management

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

To properly manage these risks, we have established the following risk management structures and measures:

- our Board of Directors is responsible and has the general power to manage the operations of our College, and is in charge of managing the overall risks of our Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our business operation into new geographic areas, to raise our tuition, and to enter into cooperative business relationships with third parties to launch new education programs. In addition, the Board also appointed Mr. Zhang Zhiwei (張志偉) as the risk management controller of our Group, responsible for daily management and monitor of daily operation risks and execution of significant business decision involving material risk exposures;

- we maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry, including school liability insurance; and

- we embed a culture of compliance in the daily work routine of our employees through regular risk management and compliance trainings, and set various expectations for our employees' work performances in term of compliance.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

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

Higher Education

Pursuant to the Negative List, the provision of higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "**Foreign Control Restriction**"). We had fully complied with the Foreign Control Restriction in respect of Shanxi Technology & Business on the basis that (a) the principals and the chief executive officers of Shanxi Technology & Business are all PRC nationals; and (b) all the members of the board of directors are PRC nationals. The Foreign Control Restriction is not applicable to the School Sponsor.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if we were to apply for Shanxi Technology & Business to be reorganized as a sino-foreign joint venture private school for PRC students at a higher education institution (a "**Sino-Foreign Joint Venture Private School**"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "**Qualification Requirement**"). Our PRC Legal Advisors have advised, and as confirmed in the interview with the relevant competent education authority as mentioned below, that there are no implementation measures or specific guidance promulgated on the Qualification Requirement in accordance with the existing PRC laws, regulations or governmental documents but only general principles requiring school sponsor which applies for establishing a sino-foreign joint venture school shall have relevant qualification and be able to provide high quality education services.

Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**") and the establishment of such Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level.

Our PRC Legal Advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement. In November 2018 and October 2020, with the assistance of our PRC Legal Advisors, we consulted the Department of Education of Shanxi Province (山西省教育廳), being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the Adult Education Division (成人教育處) and the International Cooperation and Communication Division (國際合作與交流處) of the Department of Education of Shanxi Province that:

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

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

(iii) the Department of Education of Shanxi Province will not approve an application to establish a new Sino-Foreign Joint Venture Private School with a legal person status (including the application by Shanxi Technology & Business to establish a Sino-Foreign Joint Venture Private School), and no Sino-Foreign Joint Venture Private School has been approved in Shanxi Province;

(iv) our Contractual Arrangements do not contravene the relevant laws and regulations in the PRC; and

(v) our Contractual Arrangements would not be deemed as paying reasonable returns or distributing profits, and would not be deemed as infringement of the property of the school or illegally obtaining benefits from the school, and therefore, our College will not be required to terminate such arrangements or subject to any penalties arising from entering into the arrangements.

Given that as of the Latest Practicable Date, as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize Shanxi Technology & Business and the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School. During such consultation, the Department of Education of Shanxi Province has confirmed that it is impossible for our school to be approved as a Sino-Foreign Joint Venture Private School and there is no implementation rules or guidance for such application at this stage.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities following the [**REDACTED**] to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private Schools in Shanxi Province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "— Background of the Contractual Arrangements —

Circumstances in which We Will Unwind the Contractual Arrangements" and "— Background of the Contractual Arrangements — Plan to Comply with the Qualification Requirement" in this section of this document for details.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any governing bodies to our plan in adopting the Contractual Arrangements and the financial results of our PRC Affiliated Entities, which engage in the provision of higher educational service, are consolidated to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Affiliated Entities has been legally established and except for those disclosed under "— Legality of the Contractual Arrangements — PRC Legal Opinions" under this section and "Risk Factors — Risks Relating to Our Contractual Arrangements" of this document, the Contractual Arrangements in relation to the operation of higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our higher education business do not render our higher education business as illegal operations in the PRC. In addition, we have obtained confirmation from the Department of Education of Shanxi Province during our consultations with it that the Contractual Arrangements do not require approval from relevant PRC regulatory authorities. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Contractual Arrangements in the education industry.

Circumstances in which We Will Unwind the Contractual Arrangements

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

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

- in circumstance (a), our Company will partially unwind the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met, our Company will still rely on the Contractual Arrangements to establish control over Shanxi Technology & Business. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Contractual Arrangements;

- in circumstance (b), we will partially unwind the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members of the board of directors of the school;

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

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

Pursuant to the Exclusive Call Option Agreement, Shanxi WFOE has undertaken that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the equity call option in full to hold all of the interest in our PRC Affiliated Entities and unwind the Contractual Arrangements accordingly. See "— Termination of the Contractual Arrangements" in this section of this document for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the Department of Education of Shanxi Province, it is impossible for Shanxi Technology & Business to be approved as a Sino-Foreign Joint Venture Private School at this stage. However, the Department of Education of Shanxi Province confirmed that it is possible that approval may be granted to an investor that is an education institution legally established and qualified to award diploma certificates in a foreign country to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School. Our PRC Legal Advisors are of the view that based on the above, although it is not possible for the Department of Education of Shanxi Province to approve our application to establish Sino-Foreign Joint Venture Private Schools at the current stage, the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate subject to the discretion of the competent authority.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan. We have engaged the Agent who is principally engaged in education consulting and BPPE licensing services, as our agent to assist us in establishing General Business University of California Incorporated and filing applications with the BPPE regarding the establishment of the US School. On October 22, 2020, Generalist Business University of California Incorporated was established in California, the United States by our agent, which was renamed as General Business University of California Incorporated on November 4, 2020, and its sole member is China General Education (HK). General Business University of California Incorporated will operate and manage the US School to be established. We will file an application for a provisional license for a school of the same name with the BPPE. We have expended approximately US$20,000 in connection with our establishment of General Business University of California Incorporated as of the Latest Practicable Date. See also "Business — Future Development — Overseas Institution" and "History and Corporate Structure — School to be established — New school in California" in this document for details.

In the opinion of our PRC Legal Advisors, based on the consultation with the Department of Education of Shanxi Province, if the specific guidance and implementing rules with regards to the Qualification Requirement are promulgated and assuming the new school to be operated by General Business University of California Incorporated or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools), we may be able to get the approval to establish a Sino-Foreign Joint Venture Private Schools by relevant educational authority or such other educational institution subject to the approval from the competent educational authorities.

Furthermore, we will:

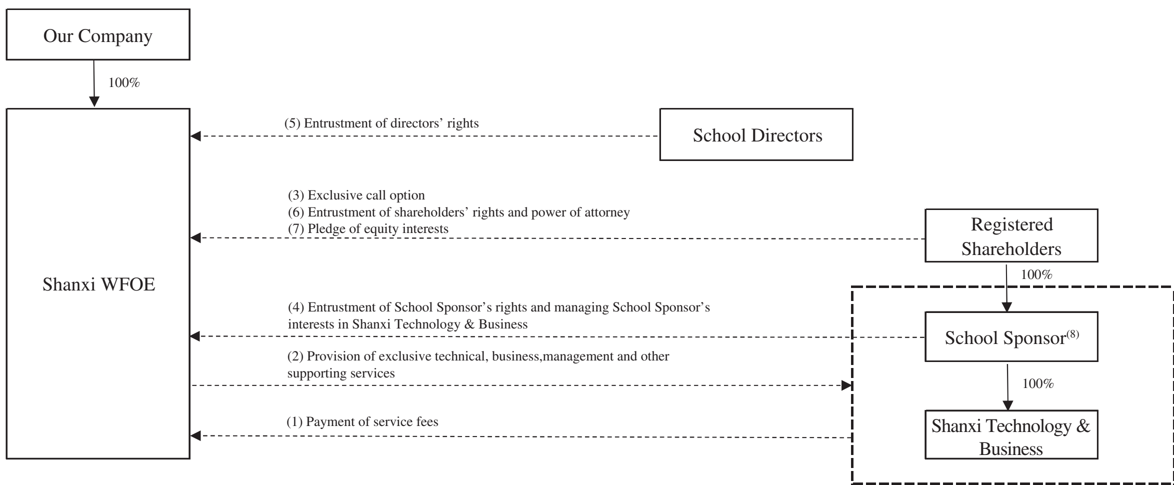
(i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

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

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on November 12, 2020, our wholly-owned subsidiary, Shanxi WFOE, entered into various agreements that constitute the Contractual Arrangements with, among others, Shanxi Technology & Business and our School Sponsor, under which all economic benefits arising from the business of Shanxi Technology & Business and our School Sponsor are transferred to Shanxi WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by Shanxi Technology & Business and our School Sponsor to Shanxi WFOE. Although the Registered Shareholders are not consolidated as part of our Group, they are parties to certain agreements which constitute the Contractual Arrangements to ensure that the shareholders' rights of our School Sponsor are effectively controlled by Shanxi WFOE.

The following simplified diagram illustrates the flow of economic benefits from Shanxi Technology & Business and/or our School Sponsor to our Group stipulated under the Contractual Arrangements:



"______" denotes direct legal and beneficial ownership in the equity interest

"--------" denotes Contractual Arrangements

Notes:

(1) Payment of service fees. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement" in this document for details.

(2) Provision of exclusive technical and management consultancy services. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement" in this document for details.

(3) Exclusive call option to acquire all or part of our School Sponsor's interest in Shanxi Technology & Business and equity interest in our School Sponsor. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" in this document for details.

(4) Entrustment of School Sponsor's rights in Shanxi Technology & Business by our School Sponsor. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (5) School Sponsor's Powers of Attorney" in this document for details.

(5) Entrustment of directors' rights in Shanxi Technology & Business by directors of Shanxi Technology & Business including directors' powers of attorney. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (6) Directors' Powers of Attorney" in this document for details.

(6) Entrustment of shareholders' right of the Registered Shareholders and our School Sponsor including shareholders' powers of attorney. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" and "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (8) Shareholders' Powers of Attorney" in this document for details.

(7) Pledge of equity interest by the Registered Shareholders of their equity interest in our School Sponsor. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (10) Equity Pledge Agreement" in this document for details.

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

The School Sponsor is a special purpose vehicle established as the holding company to hold interests in Shanxi Technology & Business and is not engaged in any other business other than the aforesaid. Under the Contractual Arrangements, each of our PRC Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement with, among others, Shanxi WFOE, pursuant to which each of our PRC Affiliated Entities will be directly bound by and subject to the terms and conditions thereof. Accordingly, for any services provided by Shanxi WFOE to any of our PRC Affiliated Entities, the respective service fee will be paid by such PRC Affiliated Entities to Shanxi WFOE directly. In addition, in order to prevent the leakage of assets and values of our PRC Affiliated Entities, our PRC Affiliated Entities have undertaken that, without the prior written consent of Shanxi WFOE, our PRC Affiliated Entities shall not, among others, distribute any school operating income or other interest or benefit to the Registered Shareholders. For further details, see "— Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(1) Business Cooperation Agreement

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

To ensure the due performance of the Contractual Arrangements, each of our PRC Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure our PRC Affiliated Entities or their subsidiaries to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

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

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

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

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

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

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

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

(h) to provide its business operation and financial information upon request by Shanxi WFOE and promptly inform Shanxi WFOE of the circumstances which have or may have material adverse effect on our business operation, as well as make every effort to prevent such circumstances and/or the expansion of losses.

In addition, pursuant to the Business Cooperation Agreement:

(a) each of the Registered Shareholders undertakes to Shanxi WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in our School Sponsor, he shall have made all necessary arrangement and sign all necessary documents such that his respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;

(b) in the event of the dissolution, liquidation, bankruptcy or reorganization of Shanxi WFOE, (i) the Registered Shareholders and our PRC Affiliated Entities unconditionally agree that, other persons designated by our Company shall inherit the rights and obligations of Shanxi WFOE under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated persons; (ii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit their direct or indirect interest in Shanxi Technology & Business and equity interest in our School Sponsor in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company; or (iii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit part or all assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company;

(c) the Registered Shareholders undertake that, in the event of the dissolution or liquidation of our PRC Affiliated Entities, to the extent permitted by PRC laws, (i) Shanxi WFOE and/or its designated person shall have the right to exercise all school sponsor's right on behalf of our School Sponsor and shareholders' rights on our School Sponsor (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and/or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the School Sponsor and/or the Registered Shareholders shall transfer all assets received or receivable in its capacity as school sponsor of Shanxi Technology & Business/as shareholders of our School Sponsor as a result of the dissolution or liquidation of our PRC Affiliated Entities to Shanxi WFOE or other persons designated by our Company at nil consideration, and instruct all of our PRC Affiliated Entities to transfer such assets directly to Shanxi WFOE or other persons designated by our Company before such dissolution or liquidation; and (iii) if consideration is required for such transfer under the then applicable PRC laws, our PRC Affiliated Entities and/or the Registered Shareholders shall compensate Shanxi WFOE and/or the person as designated by our Company such amount;

(d) our PRC Affiliated Entities agree that, without the prior written consent of Shanxi WFOE, our PRC Affiliated Entities shall not declare or pay to the Registered Shareholders any school operating income or other interest or benefit. In the event that the Registered Shareholders receive any school operating income or other interest or benefit from the PRC Affiliated Entities, upon the request of Shanxi WFOE, the Registered Shareholders shall unconditionally and without compensation transfer such amount to Shanxi WFOE; and

(e) without the consent of Shanxi WFOE, the Registered Shareholders shall not increase the registered capital of our School Sponsor, while the Registered Shareholders shall agree and confirm that, the Registered Shareholders will pledge the corresponding increased equity interest to Shanxi WFOE to perform their respective obligations and guarantees in respect of any debt under these Contractual Arrangements. Each of the parties has undertaken that, each party shall prepare all necessary documents before the aforesaid capital increase and sign the equity pledge agreements on the date of completion of the capital increase registration, and complete the equity pledge registration procedures as soon as possible.

In order to prevent the leakage of assets and values of our PRC Affiliated Entities, the Registered Shareholders and our PRC Affiliated Entities have undertaken that, without the prior written consent of Shanxi WFOE or its designated party, the Registered Shareholders and our PRC Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and each of our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements. Such activities and transactions include, without limitation:

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

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

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

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

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Affiliated Entities or their subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB100,000;

(f) change or removal of any director, supervisor or senior management (including but not limited to manager, deputy manager, chief financial officer, chief technical officer, principal and dean) of any of our PRC Affiliated Entities or their subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorizing the use or disposal of any assets or rights (including but not limited to domain, trademark, intellectual property and exclusive technology) of any of our PRC Affiliated Entities or their subsidiaries to any third party other than Shanxi WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB100,000;

(h) sale of any equity interest or school sponsor rights in any of our PRC Affiliated Entities or its subsidiaries to any third party other than Shanxi WFOE or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of our PRC Affiliated Entities or its subsidiaries or enter into partnership, joint venture or profit-sharing arrangements, or any other arrangements to transfer benefits or realize profit-sharing in the form of usage fees, service charges or consultancy fees;

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

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

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

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

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

(n) distribution of dividend, school operating income or other payments to our School Sponsor, or the shareholder(s) of our School Sponsor or any of its subsidiaries;

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

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

(q) transfer of his/its rights and obligations under the Contractual Arrangements to any third party other than Shanxi WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Contractual Arrangements with any third party by the Registered Shareholders, any of our PRC Affiliated Entities or its subsidiaries.

Furthermore, each of the Registered Shareholders undertakes to Shanxi WFOE that, unless with the prior written consent of Shanxi WFOE, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Affiliated Entities and their subsidiaries (the "**Competing Business**"), (ii) use information obtained from any of our PRC Affiliated Entities or its subsidiaries for the Competing Business to engage in or directly and/or indirectly participate in any Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Shanxi WFOE and/or other entities as designated by our Company shall be granted an option with nil consideration to require (i) the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements and the consideration must be determined by the parties in accordance with the principles of fairness and reasonableness, the valuation of professional third party valuer, and the mechanism and procedures under the Listing Rules, or (ii) the Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

(2) Exclusive Technical Service and Management Consultancy Agreement

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

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

In consideration of the technical and management consultancy services provided by Shanxi WFOE, each of our PRC Affiliated Entities agrees to pay Shanxi WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law), the legally compulsory development fund of the respective school (if required by the law)), and other fees must be drawn according to the PRC laws. The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. Shanxi WFOE has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Affiliated Entities do not have any right to make any such adjustment.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Shanxi WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Shanxi WFOE to our PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Shanxi WFOE and other parties. To the extent prescribed under the PRC laws and regulations, the intellectual properties, which are restricted or prohibited from owning by Shanxi WFOE, shall be owned by our PRC Affiliated Entities until permissible under the PRC laws and regulations. Our PRC Affiliated Entities shall transfer the aforesaid intellectual properties at the lowest consideration permissible under the PRC laws and regulations to Shanxi WFOE in addition to assist with the registration procedures.

Without the written consent of Shanxi WFOE, our PRC Affiliated Entities shall not make (i) any disposal of material assets and (ii) changes to the current ownership structure of our PRC Affiliated Entities. Our PRC Affiliated Entities shall not enter into transactions, which may materially affect their assets, responsibilities, business operation, ownership structures, equity interest held by third parties and other legal rights, save for transactions which are in their ordinary course of business and conducted with the prior disclosure and written consent of Shanxi WFOE.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably and unconditionally granted Shanxi WFOE or its designated purchaser the right to purchase all or part of the school sponsor's direct or indirect interest of our School Sponsor in Shanxi Technology & Business and direct or indirect equity interest in our School Sponsor (the "**Equity Call Option**"). The purchase price payable by Shanxi WFOE in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Shanxi WFOE or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest in Shanxi Technology & Business and/or equity interest in our School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Shanxi WFOE or other foreign-owned entities designated by our Company to directly hold all or part of the school sponsor's interest in Shanxi Technology & Business or equity interest in our School Sponsor and operate private education business in the PRC, Shanxi WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Shanxi WFOE or other foreign-owned entities designated by our Company under PRC laws and regulations.

The Registered Shareholders have further undertaken to Shanxi WFOE that, it:

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

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

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

(d) shall not dispose of or procure the management of our PRC Affiliated Entities to dispose of, or create encumbrance over any of the assets of our PRC Affiliated Entities without the prior written consent of Shanxi WFOE, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB100,000;

(e) shall not terminate or procure the management of our PRC Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB100,000, the Contractual Arrangements and any agreement of similar nature or content to the Contractual Arrangements) or enter into any other contracts which may contradict such material contracts without the prior written consent of Shanxi WFOE;

(f) shall not procure any of our PRC Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Affiliated Entities without the prior written consent of Shanxi WFOE, save for transactions which are in the ordinary course of business of our PRC Affiliated Entities with the amount involved not more than RMB100,000, or transactions which have been disclosed to and approved by Shanxi WFOE;

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

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

(i) shall ensure that any of our PRC Affiliated Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Affiliated Entities exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by our PRC Affiliated Entities, obligations which restrict or prohibit the financial or business operations of our PRC Affiliated Entities, or any obligations which may result in change of the structure of the school sponsor's interest and/or the equity interest in our PRC Affiliated Entities outside its ordinary course of business without the prior written consent of Shanxi WFOE;

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

(k) shall, prior to the transfer of its school sponsor's interest or shareholders' interest to Shanxi WFOE or its designated purchaser and without prejudice to our School Sponsor's and Directors' Rights Entrustment Agreement and the Shareholders' Rights Entrustment

Agreement, execute all documents necessary for holding and maintaining the ownership of its school sponsor's interest and/or its equity interest in our PRC Affiliated Entities;

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

(m) shall take all such actions to facilitate our PRC Affiliated Entities in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by our School Sponsor on behalf of the interest owner of our PRC Affiliated Entities;

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

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

(p) in the event of the dissolution, liquidation, bankruptcy or reorganization of our PRC Affiliated Entities, (i) the Registered Shareholders unconditionally agree that, other entities or persons designated by our Company shall inherit the rights and obligations of our PRC Affiliated Entities under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated entities or persons; (ii) the Registered Shareholders agree that they shall sell or deposit their direct or indirect interest in our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other entities or persons designated by our Company; or (iii) the Registered Shareholders agree that they shall sell or deposit part or all assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other entities or persons designated by our Company; and

(q) in the event of the dissolution or liquidation of our PRC Affiliated Entities, (i) Shanxi WFOE and/or its designated entities or persons shall have the right to exercise all shareholders' right on behalf of the Registered Shareholders (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and/or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the Registered Shareholders shall transfer all assets received or receivable in its capacity as shareholders of our School Sponsor as a result of the dissolution or liquidation of our PRC Affiliated Entities to Shanxi WFOE or other entities or persons designated by our Company at nil consideration, and instruct all of our PRC Affiliated Entities to transfer such assets directly to Shanxi WFOE or other entities or persons designated by our Company before such dissolution or liquidation; and (iii) if consideration is required for such transfer under the then applicable PRC laws, the Registered Shareholders shall compensate Shanxi WFOE or the entities or persons as designated by our Company the amount and guarantee that Shanxi WFOE or other entities or persons as designated by our Company does not suffer any loss.

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

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, our School Sponsor has irrevocably authorized and entrusted Shanxi WFOE to exercise all its rights as school sponsor of Shanxi Technology & Business to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors of Shanxi Technology & Business; (b) the right to appoint and/or elect supervisors of Shanxi Technology & Business; (c) the right to participate in the operation and management of Shanxi Technology & Business; (d) the right to learn the operation and financial situation of Shanxi Technology & Business; (e) the right to review the resolutions and records of the board of directors and financial statements and reports of Shanxi Technology & Business; (f) the right to acquire residue assets upon liquidation of Shanxi Technology & Business in accordance with the laws; (g) the right to obtain distribution of school operating income (if applicable); (h) the right to transfer school sponsor's interest in accordance with the laws; (i) the right to choose to register Shanxi Technology & Business as a for-profit or non-profit school pursuant to PRC laws and regulations; (j) the right to exercise the voting rights of our School Sponsor upon bankruptcy, liquidation, dissolution or termination of Shanxi Technology & Business; (k) the right to handle the legal procedures of registration, approval, licensing and filing of Shanxi Technology & Business, as the case may be at the department of education, the department of civil affairs or other government regulatory departments, and to submit any documents submitted by our School Sponsor to relevant government regulatory departments; and (l) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of Shanxi Technology & Business as amended from time to time.

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

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

(5) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by our School Sponsor in favor of Shanxi WFOE, our School Sponsor authorized and appointed Shanxi WFOE as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Shanxi Technology & Business. For details of the rights granted, see "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" in this document.

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

(6) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Shanxi WFOE, each of the Appointees authorized and appointed Shanxi WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Shanxi Technology & Business. For details of the rights granted, see "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" in this document.

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

(7) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Shanxi WFOE to exercise all of his respective rights as shareholders of our School Sponsor to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of our School Sponsor, as the case may be; (b) the right to make and sign the resolutions of the general meeting of our School Sponsor, propose to convene and attend the general meeting of our School Sponsor in accordance with the provisions of the articles of association of our School Sponsor, and sign the minutes and resolutions of the general meeting of our School Sponsor or other legal documents on behalf of the Registered Shareholders; (c) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of our School Sponsor, as the case may be; (d) the right to propose to convene general meetings of our School Sponsor, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in his or their capacity as shareholders of our School Sponsor, as the case may be; (f) the right to instruct the directors and legal representative of our School Sponsor, as the case may be, to act in accordance with the instruction of Shanxi WFOE; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the relevant laws and articles of association of our School Sponsor, as the case may be; (h) the right to handle the legal procedures of registration, approval, licensing and filing of our School Sponsor, as the case may be at the administration department for market regulation, administration department for commerce and industry, or other government regulatory departments; (i) the right to decide to transfer or otherwise dispose of the Registered Shareholders' shares in our School Sponsor; and (j) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of our School Sponsor as amended from time to time.

In addition, each of the Registered Shareholders has irrevocably agreed that (i) Shanxi WFOE may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Shanxi WFOE or its designated person, without prior notice to or approval by the Registered Shareholders; (ii) any person as successor of civil rights of Shanxi WFOE or liquidator by reason of subdivision, merger, liquidation of Shanxi WFOE or other circumstances shall have authority to replace Shanxi WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement; (iii) the Registered Shareholders will not authorize and entrust the rights under the Shareholders' Rights Entrustment Agreement to any entity or individual that may have a conflict of interest with our Company; and (iv) the rights of the Registered Shareholders under the Shareholders' Rights Entrustment Agreement shall be authorized and entrusted to the persons or directors of our Company unrelated to the Registered Shareholders.

(8) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Shanxi WFOE, each of the Registered Shareholders authorized and appointed Shanxi WFOE, as his agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of the our School Sponsor. For details of the rights granted, see "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" in this document.

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

(9) Spouse Undertaking

Pursuant to the Spouse Undertaking, Ms. Geng Jie, the spouse of Mr. Niu Sanping, as one of the Registered Shareholders, has irrevocably undertaken that:

(a) Ms. Geng Jie has full knowledge of and has consented to the entering into of the Contractual Arrangements by Mr. Niu Sanping, Shanxi WFOE and our PRC Affiliated Entities, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business, pledge or transfer the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business, or the disposal of the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business in any other forms;

(b) Ms. Geng Jie has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Affiliated Entities;

(c) Ms. Geng Jie authorizes Mr. Niu Sanping or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business in order to safeguard the interest of Shanxi WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures, and fully cooperates with the implementation of the relevant documents and procedures at any time;

(d) any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertaking shall continue to be valid and binding until otherwise terminated by both Shanxi WFOE and Ms. Geng Jie in writing. Shanxi WFOE and Mr. Niu Sanping do not need to make any monetary or non-monetary compensation to Ms. Geng Jie for her foregoing acknowledgment and undertakings.

The Spouse Undertaking shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(10) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in our School Sponsor, together with all related rights thereto to Shanxi WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Shanxi WFOE as a result of any event of default on the part of the Registered Shareholders and our PRC Affiliated Entities and all expenses incurred by Shanxi WFOE as a result of enforcement of the obligations of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements (the "**Secured Indebtedness**").

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

Pursuant to the Equity Pledge Agreement, each party has undertaken that, if the registration authorities require to define the amount of the principal claim upon the pledge range in the equity pledge registration, the amount of claims under the Contractual Arrangements shall be registered as the principal, RMB50,000,000 and any other amount in the event of default and compensation under the Contractual Arrangements.

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

(a) any of the Registered Shareholders and our PRC Affiliated Entities commits any breach of any obligations under the Contractual Arrangements;

(b) any representations or warranties or information provided by any of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements is proved incorrect or misleading; or

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

Upon the occurrence of an event of default as described above, Shanxi WFOE shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

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

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

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

The pledges under the Equity Pledge Agreement were registered with the relevant Administration for Market Regulation of the PRC on November 26, 2020 and became effective on the same date of the registration of the pledge.

Under the Contractual Arrangements, there is no equity pledge arrangement between Shanxi WFOE and our School Sponsor over the school sponsor's interest in Shanxi Technology & Business held by our School Sponsor. As advised by our PRC Legal Advisors, if we were to make an equity pledge arrangement with our School Sponsor where our School Sponsor pledges its school sponsor's interest in Shanxi Technology & Business in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to our School Sponsor's interests in Shanxi Technology & Business cannot be registered with the relevant PRC regulatory authorities.

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

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

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have further undertaken to Shanxi WFOE that, among others, he shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over the school sponsor's interest in any of Shanxi Technology & Business and/or equity interest in our School Sponsor without prior written consent of Shanxi WFOE. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" in this document for details; and

(c) our Company has taken measures to ensure that the company seals of our PRC Affiliated Entities are properly secured, are within the full control of our Company and cannot be used by our PRC Affiliated Entities or the Registered Shareholders without our permission. Such measures include arranging for the company seals of our PRC Affiliated Entities to be kept in the safe custody of the finance department of Shanxi WFOE and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of our Company or Shanxi WFOE.

DISPUTE RESOLUTION

Each of the Contractual Arrangements provides that:

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

(b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the school sponsor's interest in Shanxi Technology & Business and the equity interest in our School Sponsor and property interest and other assets of our PRC Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding-up of our PRC Affiliated Entities; and

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

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

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or interest in Shanxi Technology & Business or equity interest in our School Sponsor in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Affiliated Entities, injunctive relief or winding-up of our PRC Affiliated Entities as interim remedies, before there is any final outcome of arbitration;

(c) however, PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest or sponsor's interest in our PRC Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over our PRC Affiliated Entities, and our ability to conduct our business may be negatively affected; and

(e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreements under the Contractual Arrangements.

As a result of the above, in the event that our PRC Affiliated Entities or any of the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shanxi Technology & Business and/or our School Sponsor and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to our Contractual Arrangements" in this document for details.

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS

As disclosed above, pursuant to the Spouse Undertaking, the spouse of Mr. Niu Sanping, as one of the Registered Shareholders, has irrevocably undertaken and authorized, among others, that Mr. Niu Sanping and his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of her in relation to the direct and indirect equity interest of Mr. Niu Sanping in our School Sponsor in order to safeguard the interest of Shanxi WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (9) Spouse Undertaking" in this document for details.

In addition, as disclosed above, pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Shanxi WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in Our School Sponsor, he shall have made all necessary arrangement and sign all necessary documents such that his respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF SHANXI TECHNOLOGY & BUSINESS AND/OR SCHOOL SPONSOR

Pursuant to the Business Cooperation Agreement, in the event of the dissolution or liquidation of Shanxi Technology & Business and/or our School Sponsor, the Registered Shareholders undertake that, among others, Shanxi WFOE and/or its designee shall have the right to exercise all school sponsor's rights on behalf of our School Sponsor and/or to exercise all shareholders' rights on behalf of the Registered Shareholders and shall instruct all of Shanxi Technology & Business and/or the School Sponsor to transfer assets received under PRC laws directly to Shanxi WFOE and/or our designee. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" in this document for details.

Furthermore, Shanxi WFOE has been irrevocably authorized and entrusted to exercise the rights of our School Sponsor as school sponsor of Shanxi Technology & Business and the rights of the Appointees as directors of Shanxi Technology & Business and rights of Registered Shareholders as shareholders of our School Sponsor. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" in this document for details.

LOSS SHARING

In the event that Shanxi Technology & Business and/or our School Sponsor incur any loss or encounters any operational crisis, Shanxi WFOE may, but is not obliged to, provide financial support to Shanxi Technology & Business and/or our School Sponsor.

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, Shanxi WFOE, is obligated to share the losses of Shanxi Technology & Business and/or our School Sponsor or provide financial support to Shanxi Technology & Business and/or our School Sponsor. Further, Shanxi Technology & Business and/or our School Sponsor shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Shanxi WFOE is not expressly required to share the losses of Shanxi Technology & Business and/or our School Sponsor or provide financial support to Shanxi Technology & Business and/or our School Sponsor. Despite the foregoing, given that Shanxi Technology & Business and our School Sponsor's financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if Shanxi Technology & Business and/or our School Sponsor suffer losses. However, due to the restrictive provisions contained in the Contractual Arrangements as disclosed in the respective sections headed "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" and "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" above, the potential adverse effect on Shanxi WFOE and our Company in the event of any loss suffered from Shanxi Technology & Business and/or our School Sponsor can be limited to a certain extent.

TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

Each of the Contractual Arrangements provides that: (a) each of the Contractual Arrangements shall be terminated upon the completion of the purchase of all the equity interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and school sponsor's interest that our School Sponsor holds in Shanxi Technology & Business by Shanxi WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) Shanxi WFOE shall have the right to terminate the Contractual Arrangements by serving 30-day prior notice; and (c) each of our PRC Affiliated Entities and the Registered Shareholders shall not be entitled to unilaterally terminate the Contractual Arrangements in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Shanxi WFOE or us to directly hold all or part of the School Sponsor's interest in Shanxi Technology & Business and/or all or part of the equity interest in our School Sponsor and operate private education business in the PRC, Shanxi WFOE shall exercise the Equity Call Option as soon as practicable and Shanxi WFOE or its designated party shall purchase such amount of equity interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and school sponsor's interest that our School Sponsor holds in Shanxi Technology & Business by Shanxi WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Contractual Arrangements shall be automatically terminated. Our Registered Shareholders and our School Sponsor have undertaken to compensate to Shanxi WFOE or its respective designated entity any consideration they received in the event that Shanxi WFOE or its respective designated purchaser acquire all or part of the equity interest in our School Sponsor and/or school sponsor's interest in Shanxi Technology & Business.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and our Company on the other hand. Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Shanxi WFOE that, unless with the prior written consent of Shanxi WFOE, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Shanxi WFOE is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements; or (ii) require the entity engaging in the Competing Business to cease operation. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" in this document for details. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our School Sponsor and the Registered Shareholders on the one hand, and our Company on the other hand.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisors are of the opinion that:

(a) each of our College and our School Sponsor was duly incorporated and is validly existing and their respective establishment is valid, effective and compliant with the relevant PRC laws and regulations in all material aspects. Each of the Registered Shareholders is a legal person with full civil and legal capacity. Each of our PRC Affiliated Entities has also obtained all necessary approvals and completed all necessary registration for conducting their businesses as required by PRC laws and regulations in all material aspects and has the capacity to carry out their respective business operations in accordance with its licenses and approvals;

(b) each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases: under the current PRC laws, the arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other temporary relief measures under the Contractual Arrangements may not be legally and effectively enforced under current PRC laws;

(c) the execution and performance of the Contractual Arrangements do not violate the M&A Rules;

(d) the execution and performance of the Contractual Arrangements do not violate the provisions of the Civil Code of the PRC (《中華人民共和國民法典》) or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC;

(e) the execution and performance of the Contractual Arrangements do not violate the articles of association of Shanxi Tongcia and our College; and

(f) the execution of the Contractual Arrangements does not require any pre-approvals from PRC governmental authorities, except that:

a) the pledge of any equity interest in Shanxi Tongcai in favor of Shanxi WFOE is subject to registration requirements with the relevant administration for market regulation;

b) the transfer of the sponsor or equity interest in our PRC Affiliated Entities contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;

c) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to the competent PRC courts for recognition and enforcement; and

d) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of each of our PRC Affiliated Entities as interim remedies.

For details in relation to the risks involved in the Contractual Arrangements, see "Risk Factors — Risks Relating to Our Contractual Arrangements" in this document.

Directors' Views on the Contractual Arrangements

We believe that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our PRC Affiliated Entities which engage or will engage in the provision of higher educational services, where the PRC laws and regulations currently restrict provision of higher educational services to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

As of the date of this document, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Contractual Arrangements so that the financial results of the operation of our PRC Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisors, the Directors are of the view that the Contractual Arrangements are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this section.

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [**REDACTED**] and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Contractual Arrangements are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. See "Connected Transactions" in this document for details.

CONSOLIDATED FINANCIAL RESULTS OF OUR PRC AFFILIATED ENTITIES

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Affiliated Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our PRC Affiliated Entities. The basis of consolidating the results of our PRC Affiliated Entities is disclosed in note 2.1 of the Accountants' Report. Our Directors consider that our Company can consolidate the financial results of our PRC Affiliated Entities as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and took effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC.

Impact and Potential Consequences of the Foreign Investment Law on our Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For the details of risks relating to the Foreign Investment Law, please see "Risk Factors — Risks relating to our Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations" in this document.

The Potential Impact to our Company in the Worst Scenario pursuant to the Foreign Investment Law that the Contractual Arrangements are Treated as a Foreign Investment

If the operation of higher education institutions is no longer in the Negative List and our Group can legally operate the education business under PRC laws, Shanxi WFOE will exercise the Equity Call Option under the Exclusive Call Option Agreement to acquire the school sponsor's interest of Shanxi Technology & Business and/or the equity interest in our School Sponsor and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of higher education institutions is in the Negative List, the Contractual Arrangements may be viewed as restricted foreign investment. Although contractual arrangements are not specified as foreign investment under the Foreign Investment Law, the Contractual Arrangements may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define contractual arrangements as a form of foreign investment and the operation of higher education institutions remains in the Negative List. As a result, our Group would not be able to operate our PRC Affiliated Entities through the Contractual Arrangements and we would lose our rights to receive the economic benefits of our PRC Affiliated Entities. As a result, the financial results of our PRC Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad and contractual arrangements are not specified as foreign investment under the Foreign Investment Law, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Foreign Investment Law as stipulated under the section headed "Contractual Arrangements — Background of the Contractual Arrangements" and the latest development of the Foreign Investment Law as disclosed under the section headed "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Shanxi WFOE and our PRC Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that our executive Directors, Mr. Niu Sanping and Mr. Niu Jian, are also the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the [**REDACTED**] under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

CONTROLLING SHAREHOLDERS

Immediately after completion of the [**REDACTED**] and the [**REDACTED**], Niusanping Limited will directly hold [**REDACTED**]% of the issued share capital of our Company, assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Niusanping Limited is solely owned by Mr. Niu Sanping, the chairman of our Board and an executive Director. Details of the background of Mr. Niu Sanping are set out in "Directors and Senior Management — Board of Directors — Chairman and executive Director" in this document.

Information on other companies owned by our Controlling Shareholders

We are currently engaged in the provision of higher educational services in Shanxi Province, the PRC. Other than the interests in our Group, our Controlling Shareholders currently hold direct or indirect interests in companies outside of our Group, which are engaged in education and non-education related business.

In relation to education related business other than those conducted by our Group, Mr. Niu Sanping held interests in the following companies:

- ***Tongcai Investment***

Tongcai Investment is a limited liability company established in the PRC on September 16, 2005, and is principally engaged in, among others, conference services, catering and accommodation services and sales of teaching and office equipment. As of the Latest Practicable Date, Tongcai Investment is owned as to 40% by Mr. Niu Sanping, our Chairman and an executive Director, 40% by Mr. Niu Jian, the son of Mr. Niu Sanping and also an executive Director, and 20% by Ms. Chen Xue, an Independent Third Party. Mr. Niu Jian is a director of Tongcai Investment. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Investment recorded net loss of approximately RMB3.7 million, RMB2.3 million and RMB1.3 million for the years ended August 31, 2018, 2019 and 2020, respectively, and net profit of approximately RMB390,000 for the four months ended December 31, 2020.

- ***Shanxi Tongcai Educational Consulting Company Limited* (山西通才教育諮詢有限公司) ("Tongcai Consulting")***

Tongcai Consulting (formerly known as Shanxi Tongcai Information Consulting Company Limited* (山西通才信息諮詢有限公司)) is a limited liability company established in the PRC on May 7, 2010, and is principally engaged in, among others, consultation and intermediary services for overseas studies, translation services and education consulting (excluding training, tutoring and intermediary). As of the Latest Practicable Date, Tongcai Consulting is owned as to 40% by Tongcai Investment and 60% by Mr. Niu Jian, the son of Mr. Niu Sanping and an executive Director. Mr. Niu Jian is a director of Tongcai Consulting. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Consulting recorded net loss of approximately RMB19,000 and RMB477,000 for the years ended August 31, 2018 and 2019, respectively, and net profit of approximately RMB36,000 and RMB239,000 for the year ended August 31, 2020 and the four months ended December 31, 2020, respectively.

- ***Shanxi Tongcai Training School* (山西通才培訓學院) ("Tongcai Training School")***

Tongcai Training School is a training school located in Shanxi Province, the PRC, which provides non-degree academic training programs to college students to prepare them for post-graduate admission examinations or professional qualification examinations. As of the Latest Practicable Date, the sole school sponsor of Tongcai Training School is Tongcai Consulting. Based on the unaudited management accounts prepared in accordance with the PRC GAAP, Tongcai Training School recorded net loss of approximately RMB2.1 million and RMB1.4 million for the years ended August 31, 2018 and 2019, respectively, and net profit of approximately RMB1.3 million and RMB2.7 million for the year ended August 31, 2020 and the four months ended December 31, 2020, respectively.

Views of the Sole Sponsor and Directors

Our Directors are of the view and the Sole Sponsor concurs that based on the unaudited management accounts, prepared in accordance with PRC GAAP, of Tongcai Investment, Tongcai Consulting and Tongcai Training School, as well as Tongcai Media and Tongcai Culture, as discussed in the section headed "History and Corporate Structure — Disposal of Entities not Related to our Principal Business" of this document, the Group would still meet the [**REDACTED**] pursuant to Rule 8.05(1) of the Listing Rules if Tongcai Investment, Tongcai Consulting and Tongcai Training School, as well as Tongcai Media and Tongcai Culture were included in the Group.

These institutions and companies (collectively, the "**Excluded Companies**") do not currently provide, and will not provide bachelor's degree programs in the future. The Excluded Companies are not included in our Group because (i) being an education group providing formal higher education, we are not currently engaged in, and have no intention in the future to engage in, providing non-degree academic training programs, including training programs for post-graduate admission examinations and professional qualification examinations currently offered by Tongcai Training School (collectively, the "**Excluded Business**"); and (ii) the operation of the Excluded Business involves management personnel that is different from Shanxi Technology & Business, except for Mr. Niu Jian. Although Mr. Niu Jian acts as the director of each of Tongcai Investment and Tongcai Consulting, each of Tongcai Investment and Tongcai Consulting confirmed that he is not involved in the daily operations of both Tongcai Investment and Tongcai Consulting. Ms. Chen Li, acting as the chief operating officer of Tongcai Investment, is responsible for the daily operation and management of Tongcai Investment. The heads of different departments of Tongcai Investment report to Ms. Chen Li directly. Ms. Chen Xue, acting as the chief operating officer of Tongcai Consulting, is responsible for the daily operation and management of Tongcai Consulting. The heads of different departments of Tongcai Consulting report to Ms. Chen Xue directly.

Our Directors are of the view that the Excluded Business is clearly delineated from that of our Group and there is no potential competition, direct or indirect, between the Excluded Business with our Group, on the basis that:

(i) Shanxi Technology & Business offers an undergraduate program, which provides a bachelor's degree to graduating students. Unlike Shanxi Technology & Business, Tongcai Training School provides non-degree academic training to college students in preparation for their post-graduate entrance examinations or professional qualification examinations;

(ii) our target students are clearly different from those targeted by Tongcai Training School. Our College mainly targets high school graduates and junior college or vocational school graduates who are seeking formal higher education to earn formal undergraduate degrees officially recognized by the PRC government, while Tongcai Training School primarily provides non-degree academic training programs to students who have already enrolled in colleges/universities and intend to improve their performance in standardized examinations, enhance their vocational skills, or obtain completion certificates for the training and learning courses they have taken yet do not require official recognition of their academic or skill level by way of formal diplomas and degrees. Student requirements met by enrolling in our College and those met by attending training programs offered by Tongcai Training School are clearly different, as one is to earn formal undergraduate degrees and one is to enhance test skills and/or professional skills. The majority of our College's students are admitted based on their respective scores achieved in the National Higher Education Entrance Examination, whilst Tongcai Training School has no strict selecting criteria and entry requirements. Even if there are overlapping students, training programs provided by Tongcai Training School merely serve as supplementary education on top of the formal higher education for students who have already enrolled in colleges/universities, and our students can choose whether to attend such training programs based on their personal academic needs and whether to attend training programs provided by Tongcai Training School or other training institutions on a fully voluntary basis. Our Directors consider the education services provided by our College and Tongcai Training School are of different nature, and are not mutually exclusive with each other;

(iii) the regulatory requirements for our College are different from that for Tongcai Training School, for example, the operation of our College is subject to the Basic Indicators and the Monitoring Indicators while Tongcai Training School is not;

(iv) the course structures of Shanxi Technology & Business are different from those of the Excluded Business, for example, we are required to develop curriculums and course structures according to the National Standards for Teaching Quality of Undergraduate Majors in General Colleges and Universities (《普通高等學校本科專業類教學質量國家標準》), which shall be filed with and examined by the Department of Education of Shanxi Province, while Tongcai Training School is not. In addition, the knowledge, experience and qualifications requirements on our teachers are different from those of the Excluded Business;

(v) the operation of our PRC Affiliated Entities and the Excluded Business are under different management teams. Mr. Niu Sanping, our Chairman of the Board, an executive Director and the principal of Shanxi Technology & Business, does not have any management roles at, and are not involved in the decision making and daily operations of, the Excluded Business; and

(vi) under the Contractual Arrangements, Mr. Niu Sanping also provided certain non-competition undertakings in favour of our Company, details of which are set out in the paragraph headed "Contractual Arrangements — Arrangement to address potential conflict of interest" in this document.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his respective associates after completion of the [**REDACTED**]:

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Niu Sanping is the Chairman of the Board and an executive Director. Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the [**REDACTED**].

Operational independence

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and its or his respective associates upon [**REDACTED**] for the following reasons:

(i) we hold or enjoy the benefit of all relevant licenses necessary to operate our business;

(ii) we have independent management team to engage in our business;

(iii) we can make decisions and carry out our own business operations independently;

(iv) we have our own organizational structure and departments independent from our Controlling Shareholders;

(v) we have established a set of internal control procedures to facilitate the effective operation of our business;

(vi) we own or have the right to use all the operational facilities relating to our business; and

(vii) we have sufficient capital, facilities and employees to operate our business independently.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Save as disclosed in the sections headed "History and Corporate Structure" and "Appendix V — Statutory and General Information" in this document, our source of funding was independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period. Our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

Confirmation given by other Directors

Each Director confirms that he or she does not have any competing business with our Group.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflict of interest. In order to avoid any potential conflict of interests arising, we have implemented the following measures:

(a) under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their close associates has a material interest, the relevant Controlling Shareholders or their close associates will not vote on the relevant resolutions;

(b) we have established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if we enter into connected transactions with our Controlling Shareholders or any of their close associates, our Company will comply with the applicable Listing Rules;

(c) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for their annual review;

(e) we will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our expenses; and

(g) we have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the [**REDACTED**] of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending August 31, 2021	2022	2023
					(in RMB)	
Non-exempt continuing connected transactions						
1.	Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52 to 59 and 14A.71	Requirements as to announcement, circular, shareholders' approval, annual cap, and terms not more than three years	N/A	N/A	N/A

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Contractual Arrangements

As disclosed in "Contractual Arrangements — Background of the Contractual Arrangements" in this document, due to regulatory restrictions on foreign ownership in our PRC Affiliated Entities in the PRC, Shanxi WFOE, our PRC Affiliated Entities and the Registered Shareholders have entered into the Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through our PRC Affiliated Entities while complying with applicable PRC laws and regulations. The Contractual Arrangements, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Affiliated Entities, to the extent permitted by PRC laws and regulations, the right to acquire the equity interest in and/or the assets of our PRC Affiliated Entities after the [**REDACTED**] through Shanxi WFOE. We operate our education business through our PRC Affiliated Entities, which are ultimately beneficially owned as to 71% by Mr. Niu Sanping, the chairman of our Board, an executive Director and a Controlling Shareholder, and 29% by Mr. Niu Jian, an executive Director. We do not hold any direct equity interest in our PRC Affiliated Entities. The Contractual Arrangements were entered into on November 12, 2020 pursuant to which all material business activities of our PRC Affiliated Entities are instructed and supervised by our Group, through Shanxi WFOE, and all economic benefits arising from such business of the our PRC Affiliated Entities are transferred to our Group.

The Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Power of Attorney, the Shareholders' Power of Attorney and the Spouse Undertaking, each of which is an integral part of the Contractual Arrangements. See "Contractual Arrangements" in this document for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**].

Name	Connected Relationships
Mr. Niu Sanping	an executive Director and a Controlling Shareholder, and therefore a connected person of our Company under the Listing Rules
Mr. Niu Jian	an executive Director, the chief executive officer and a substantial shareholder, and therefore a connected person of our Company under the Listing Rules

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [**REDACTED**] on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders.

The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our PRC Affiliated Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of our school sponsor's interest held by the school sponsor of Shanxi Technology & Business, as the case may be, at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our PRC Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Shanxi WFOE by our PRC Affiliated Entities under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our PRC Affiliated Entities as appointed by the shareholders of our PRC Affiliated Entities or by the school sponsor of Shanxi Technology & Business, as the case may be.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our PRC Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Affiliated Entities to the respective holders of equity or the school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our PRC Affiliated Entities to the respective holders of equity or the school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Affiliated Entities will undertake that, for so long as our Shares are [**REDACTED**] on the Stock Exchange, each of our PRC Affiliated Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst our PRC Affiliated Entities and our Company

Given that the financial results of our PRC Affiliated Entities will be consolidated into our financial results and the relationship between our PRC Affiliated Entities and our Company under the Contractual Arrangements, all agreements other than the Contractual Arrangements that may be entered into between each of our PRC Affiliated Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and Directors

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Affiliated Entities can be effectively controlled by Shanxi WFOE or its designee, (ii) Shanxi WFOE or its designee can obtain the economic benefits derived from our PRC Affiliated Entities, and (iii) any possible leakages of assets and values of our PRC Affiliated Entities can be prevented, on an uninterrupted basis.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors

Our Board is responsible for and has general power over the management and conduct of our business. As of the Latest Practicable Date, it consists of seven Directors, four of which are executive Directors and three of which are independent non-executive Directors. The table below sets forth certain information regarding the members of our Board:

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Roles and responsibilities	Relationship with other Director(s) and senior management
Mr. NIU Sanping (牛三平)	61	May 2004	September 14, 2018	Chairman of our Board and executive Director	Overall formulation and guidance of business strategy and development of our Group	Father of Mr. Niu Jian and uncle of Mr. Niu Xiaojun
Mr. NIU Jian (牛健)	35	December 2007	September 14, 2018	Chief executive officer and executive Director	Overall management and strategic development of our Group	Son of Mr. Niu Sanping and cousin of Mr. Niu Xiaojun
Mr. NIU Xiaojun (牛小軍)	41	May 2004	October 19, 2020	Executive Director	Informatization of our Group	Nephew of Mr. Niu Sanping and cousin of Mr. Niu Jian
Ms. ZHANG Zhonghua (張中華)	42	December 2006	October 19, 2020	Executive Director	Human resources management, quality control and external affairs of Shanxi Technology & Business	None
Mr. Zan Zhihong (昝志宏)	58	[●]	[●]	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Hu Yuting (胡玉亭)	35	[●]	[●]	Independent non-executive Director	Providing independent opinion and judgment to our Board	None
Mr. Yau Wai Man Philip (邱偉文)	44	[●]	[●]	Independent non-executive Director	Providing independent opinion and judgment to our Board	None

Our senior management

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets forth certain information regarding our senior management of our Company:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and responsibilities	Relationship with other Director(s) and senior management
Ms. XU Yanjie (許燕傑)	44	July 2020	October 19, 2020	Chief financial officer	Financial management of our Group	None
Mr. Zhang Zhiwei (張志偉)	40	May 2004	October 19, 2020	Risk management controller	Risk management control of our Group	None

BOARD OF DIRECTORS

Chairman and executive Director

Mr. NIU Sanping (牛三平), aged 61, the founder of our Group and the school principal of Shanxi Technology & Business, was appointed as a Director on September 14, 2018 and re-designated as an executive Director on October 19, 2020. Mr. Niu was also appointed as the chairman of the Board on October 19, 2020. Mr. Niu is responsible for the overall formulation and guidance of business strategy and development of our Group. Mr. Niu is the father of Mr. Niu Jian and uncle of Mr. Niu Xiaojun.

Mr. Niu has more than 33 years of experience in education industry and has been deeply involved in the private higher education industry. Prior to establishing Shanxi Technology & Business, Mr. Niu was engaged in providing courses to prepare students to take the Self-Taught Higher Education Examination, a test under the administration of the MOE and National Self-Taught Higher Education Examination Steering Committee* (全國高等教育自學考試指導委員會) and their subordinate agencies that awards college or bachelor degrees to self-taught students since 1987. Mr. Niu has also been the sole school sponsor of Shanxi Technology & Business since 2006 and up to October 2020.

Mr. Niu has been the vice chairman of Shanxi Society of Professors* (山西省教授協會) since December 2018, a deputy to the 13th People's Congress of Shanxi Province since January 2018 and a vice-chairman of Shanxi Committee of Chinese Peasants and Workers Democratic Party since June 2007.

Mr. Niu completed the junior college degree course at Shanxi Normal University* (山西師範大學) in Linfen, Shanxi Province, the PRC, majoring in Chinese Language and Literature in December 1987. He also obtained a master degree of educational leadership and management from Flinders University in Adelaide, Australia in September 2014. Mr. Niu obtained the qualification as Associate Professor in education leadership and management granted by the Department of Human Resources and Social Security of Shanxi Province* (山西省人力資源和社會保障廳) in April 2018.

Mr. Niu received various awards and recognitions in the PRC. The table below sets out the key awards and recognitions Mr. Niu received:

Year of award	Award/Accreditation	Awarding organization
September 2018 and September 2001	Exceptional Worker in Education System of Shanxi Province* (山西省教育系統先進工作者)	Department of Human Resources and Social Security of Shanxi Province* (山西省人力資源和社會保障廳) and Department of Education of Shanxi Province
December 2015	Student's Favorite University Principal* (學生喜愛的大學校長)	China Higher Education Association* (中國高等教育學會) and China Youth Daily* (中國青年報社)
December 2014	Shanxi Person of the Year • Culture Communication Award* (品牌山西年度人物 • 文化傳播獎)	Nomination Committee for Shanxi Person of the Year* (品牌山西年度人物推選活動組委會)
November 2014	May 1st Labor Medal of Shanxi Province* (山西省五一勞動獎章)	Shanxi Province Labor Competition Committee* (山西省勞動競賽委員會)
November 2014	Shanxi Province Exceptional Individual Model in Science and Technology Communication* (山西省科技傳播先進個人標兵)	Science and Technology Association of Shanxi Province* (山西省科學技術協會) and Education, Science, Culture, Health and Sports Union of Shanxi Province* (山西省教科文衛體工會)
May 2014	Huang Yanpei Professional Education Award — Outstanding Principal Award* (黃炎培職業教育獎－傑出校長獎)	Chinese Vocational Educational Institute* (中華職業教育社) and China Vocational and Technical Education Association* (中國職業技術教育學會)

Year of award	Award/Accreditation	Awarding organization
July 2011	Outstanding School Sponsor of Private Education* (民辦教育優秀辦學者)	Shanxi Province Association for Private Education* (山西省民辦教育協會)
November 2005	National Exceptional Individual in Vocational Education* (全國職業教育先進個人)	Seven ministries including the MOE and the NDRC
October 1998	Private Higher Education Entrepreneurship Award* (民辦高等教育創業獎)	Committee of Private Higher Education of Chinese Adult Education Association* (中國成人教育協會民辦高等教育委員會)

Mr. Niu has also made several publications as listed below:

Year of publication	Title	Publisher
December 2018	《在改革開放中砥礪前行》(Going Forward in Reform and Opening Up*)	Shanxi People's Publishing House* (山西人民出版社)
September 2018	《談通才教育》(Tan Tongcai Jiaoyu*)	Shanxi Education Publishing House* (山西教育出版社)
October 2012	《大學生職業規劃與就業指導》(College Students Career Planning and Employment Guidance*)	Nanjing University Press* (南京大學出版社)
November 2012	《管理學基礎》(Fundamentals of Management*)	Posts & Telecom Press* (人民郵電出版社)

Mr. Niu did not hold any directorship in any listed companies during the last three years.

Executive Directors

Mr. NIU Jian (牛健), aged 35, joined our Group in December 2007 as the principal assistant and executive principal in Shanxi Technology & Business and was appointed as a Director on September 14, 2018 and re-designated as an executive Director on October 19, 2020. Mr. Niu was appointed as the chief executive officer of our Company on October 19, 2020. Mr. Niu is responsible for the overall management and strategic development of our Group. Mr. Niu is the son of Mr. Niu Sanping and cousin of Mr. Niu Xiaojun.

Mr. Niu has more than 13 years of experience in education. The following table shows the key working experience of Mr. Niu:

Period	Company/ School	Position	Roles and responsibilities
December 2007 to present	Shanxi Technology & Business	Principal assistant and executive principal	Assisting the principal with the operation and management of Shanxi Technology & Business
October 2014 to present	Tongcai Investment	Director and general manager	Providing guidance for overall strategic development
June 2017 to present	Shanxi Tongcai Educational Consulting Company Limited* (山西通才教育諮詢有限公司)	Director	Providing guidance for overall strategic development

Mr. Niu served as a committee member of the 12th Shanxi Youth Federation* (山西省青年聯合會第十二屆委員) since 2020, a representative committee member of the 5th People's Congress of Xiaodian District, Taiyuan City, Shanxi Province* (山西省太原市小店區第五屆人大) in 2016 and a committee member of Taiyuan Municipal Committee of Shanxi Province* (山西省太原市市政協) since 2017. He also served as the executive director (常務理事) of the 1st Council of the New Social Class in Shanxi Province* (山西省新社會階層第一屆理事會) in 2016.

Mr. Niu completed the junior college degree course at Shanxi University of Finance and Economics (山西財經大學) in Taiyuan, Shanxi Province, the PRC, majoring in business English in July 2007. Mr. Niu obtained a master degree in project management from Universite du Quebec a Chicoutimi, Quebec, Canada in April 2014.

Mr. Niu did not hold any directorship in any listed companies during the last three years.

Mr. NIU Xiaojun (牛小軍), aged 41, was appointed as an executive Director on October 19, 2020. Mr. Niu is responsible for the informatization of our Group. Mr. Niu is the nephew of Mr. Niu Sanping and cousin of Mr. Niu Jian.

Mr. Niu joined our Group in May 2004 and since then, he has been the director (總監) of equipment and information construction center of Shanxi Technology & Business where he is responsible for the informatization construction of Shanxi Technology & Business. Mr. Niu graduated from Shanxi Normal University (山西師範大學) in Linfen, Shanxi Province, the PRC with a bachelor degree in education technology in January 2009.

Mr. Niu did not hold any directorship in any listed companies during the last three years.

Ms. ZHANG Zhonghua (張中華), aged 42, joined the Group in December 2006 and was appointed as an executive Director on October 19, 2020. Ms. Zhang is also a deputy principal of Shanxi Technology & Business where she is responsible for human resources management, quality control and external affairs of Shanxi Technology & Business.

Ms. Zhang has more than 13 years of experience in education industry. The following table shows the key working experience of Ms. Zhang:

Period	Company/School	Position	Roles and responsibilities
March 2015 to present	Shanxi Technology & Business	Deputy principal	Assisting the principal in human resources management, quality control and external affairs of Shanxi Technology & Business
March 2010 to March 2015	Shanxi Technology & Business	Principal assistant	Human resources management
January 2009 to March 2010	Shanxi Technology & Business	Member of school affairs committee (學院院務委員)	Human resources management
December 2006 to January 2009	Shanxi Technology & Business	Director and deputy director of human resources department	Human resources management

Ms. Zhang is currently a committee member of Shanxi Provincial Party Committee of China Agricultural and Democratic Party (中國農工民主黨山西省委員會).

She obtained a master degree in business administration from University of Shanghai for Science and Technology (上海理工大學) in Shanghai, the PRC in June 2015.

Ms. Zhang was a supervisor of Shuzhou Yihua Property Management Co., Ltd.* (朔州市怡華物業管理有限公司) ("**Shuzhou Yihua**"), the business license of which was revoked on March 15, 2008 due to its failure to conduct statutory annual inspection as required under the relevant PRC laws and regulations. Ms. Zhang confirmed that (i) Shuzhou Yihua was solvent and ceased its operation at the time of such revocation of business license; (ii) there was no wrongful act on her part leading to the revocation of business license of Shuzhou Yihua; (iii) she did not incur any debt and/or liabilities because of such revocation of business license and she is not aware of any actual or potential claim which has been or will be made against her as a result of such revocation of business license; and (iv) the revocation of business license did not have any negative effect on the Company.

Ms. Zhang did not hold any directorship in any listed companies during the last three years.

Independent non-executive Directors

Mr. Zan Zhihong (昝志宏), aged 58, was appointed as an independent non-executive Director on [●]. Mr. Zan is responsible for providing independent opinion and judgment to our Board.

Mr. Zan has over 36 years of experience in accounting education. The following table shows the key working experience of Mr. Zan:

Period	Company	Position(s)	Roles and responsibilities
July 1984 to present	Shanxi University of Finance and Economics (山西財經大學, formally known as Shanxi College of Finance and Economics* (山西財經學院))	Professor (as his current position)	Teaching of finance and accounting
March 2016 to present	Daqin Railway Co., Ltd. (大秦鐵路股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 601006)	Independent director	Providing independent opinion and judgment to the board of directors
July 2020 to present	Shenzhen Huakong Seg Co., Ltd. (深圳華控賽格股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000068)	Independent director	Providing independent opinion and judgment to the board of directors

Mr. Zan graduated from Shanxi College of Finance and Economics* (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Taiyuan, Shanxi Province, the PRC, majoring in finance in July 1984 and obtained a master degree in economics from Shanxi University of Finance and Economics in June 2009. Mr. Zan obtained the qualification of professor in November 2001.

Save as disclosed above, Mr. Zan did not hold any directorship in any listed companies during the last three years.

Mr. Hu Yuting (胡玉亭), aged 35, was appointed as an independent non-executive Director on [●]. Mr. Hu is responsible for providing independent opinion and judgment to our Board.

Mr. Hu has over 11 years of experience in the legal industry. The following table shows the key working experience of Mr. Hu:

Period	Company	Position	Roles and responsibilities
March 2009 to February 2018	Shanxi Qiancheng Law Firm* (山西謙誠律師事務所)	Partner (as his last position)	Provision of legal services
February 2018 to present	Shanxi Guojin Law Firm (山西國晉律師事務所)	Partner	Provision of legal services

Mr. Hu obtained a bachelor degree in law from Bohai University (渤海大學) in Jinzhou, Liaoning Province, the PRC in June 2008. He was awarded the national legal professional qualification by the Ministry of Justice of the PRC in February 2009.

Mr. Hu did not hold any directorship in any listed companies during the last three years.

Mr. Yau Wai Man Philip (邱偉文), aged 44, was appointed as an independent non-executive Director on [●]. Mr. Yau is responsible for providing independent opinion and judgment to our Board.

Mr. Yau has over 16 years of experience in accounting, finance, mergers and acquisitions, corporate finance, audit and risk management. From July 2004 to January 2006, he worked at PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch (普華永道諮詢(深圳)有限公司上海分公司) with his last position as a senior manager in assurance department. From January 2006 to July 2011, he worked at Protiviti Shanghai Co., Ltd. (甫瀚諮詢(上海)有限公司) with his last position as the managing director and also the leader of Shenzhen office. From September 2011 to March 2016, he served as a partner of Ernst & Young Asia-Pacific Services (HK) Limited. From February 2016 to December 2019 and from February 2019 to December 2019, Mr. Yau served as the chief financial officer of AMTD Group Company Limited and its wholly-owned subsidiary, AMTD International Inc. (stock symbol: HKIB), a company listed on the New York Stock Exchange, respectively. Since May 2020, Mr. Yau has served as an independent director of Legend Biotech Corporation (stock symbol: LEGN), a company listed on NASDAQ.

Mr. Yau obtained a bachelor's degree in arts from Charles H. Lundquist College of Business of University of Oregon in the United States in June 1997. Mr. Yau subsequently obtained a master's degree in business administration from Northwestern University in the United States and the Hong Kong University of Science and Technology in June 2019. Mr. Yau is a certified public accountant in the United States, a fellow member of the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Internal Auditors.

Mr. Yau was previously a director of the following company which has been dissolved:

Name of company	Place of incorporation	Nature of business	Date of dissolution	Means of dissolution	Reasons of dissolution
Smartway Consultants Limited	Hong Kong	Provision of consulting service	September 1, 2017	Deregistration	Cessation of business

Mr. Yau confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, the above company was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against his as a result of the dissolution of the above company; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the above company.

Save as disclosed above, Mr. Yau did not hold any directorship in any listed companies during the last three years.

SENIOR MANAGEMENT

Ms. XU Yanjie (許燕傑), aged 44, was appointed as the chief financial officer of our Company on October 19, 2020. Ms. Xu is responsible for financial management of our Group.

Ms. Xu joined our Group in July 2020 as the financial manager of Shanxi WFOE and has experience in finance and accounting. The following table shows the key working experience of Ms. Xu:

Period	Company	Position	Roles and responsibilities
July 2020 to present	Shanxi WFOE	Financial manager	Financial management
January 2020 to June 2020	Tongcai Investment	Financial manager	Financial management
May 2017 to September 2019	Shanxi Jinchi Sporting Goods Co., Ltd.*(山西勁馳體育用品有限公司)	Financial manager	Financial management

Ms. Xu graduated from Shanxi University of Finance and Economics with a bachelor's degree in accounting in July 1999. She obtained the qualification of senior accountant in June 2016 and the qualification of the Chinese Certified Tax Agent in May 2016, respectively.

Ms. Xu did not hold any directorship in any listed companies during the last three years.

Mr. Zhang Zhiwei (張志偉), aged 40, was the risk management controller of our Group with effect from October 19, 2020. Mr. Zhang is responsible for the risk management control of our Group.

Mr. Zhang has over 17 years of experience in education industry. The following table shows the key working experience of Mr. Zhang:

Period	Company	Position	Roles and responsibility
March 2010 to present	Shanxi Technology & Business	Director (主任) of office	Coordination of the work of various departments of Shanxi Technology & Business, including supervision of the implementation of work by various departments of our College and external communications with PRC governmental authorities and media
July 2019 to June 2020	Shanxi Technology & Business	Secretary (書記) of Institute of Innovation and Entrepreneurship	Management of Institute of Innovation and Entrepreneurship
August 2017 to July 2019	Shanxi Technology & Business	Director (主任) of the Employment and Entrepreneurship Center	Management of employment and entrepreneurship affairs and college-industry collaboration programs
October 2009 to February 2010	Shanxi Technology & Business	Deputy director (副主任) of office	Administrative management
May 2004 to September 2009	Shanxi Technology & Business	Deputy secretary (副書記) and then secretary (書記) of Communist Youth League	Management of Communist Youth League and coordination of students' activities

Mr. Zhang has been serving as the deputy secretary of Shanxi Province Association for Private Education* (山西省民辦教育協會) (the "**Association**") since May 2010, assisting the secretary-general in the routine management of the Association. The Association is a social organization voluntarily formed by various private institutions and individuals in the private education industry in Shanxi Province with the approval of the Department of Education and the Department of Civil Affairs of Shanxi Province. It is established primarily to (i) publicize the role and significance of private education so as to promote concern and support of the society in the development of private education industry, (ii) carry out scientific research on private education so as to improve the education quality and management of private schools, (iii) organize and carry out exchange and cooperation activities, (iv) provide consulting services to governmental agencies on their decision-making on private education related policies and rules, and (v) formulate industrial norms and engage in industrial self-discipline as well as industrial rights protection activities.

Through his work experience above and long-term service in the Association, Mr. Zhang is familiar with the affairs of our College and our students, and has comprehensive knowledge of laws and policies at both national and provincial level applied to the operation of our College. Therefore, Mr. Zhang is capable of assessing and responding to the underlying risks in connection with the student affairs, administrative management and business operation of our College as well as the development of laws and policies in relation to private education.

Mr. Zhang graduated from Shanxi University (山西大學) in Taiyuan, Shanxi Province, the PRC with a bachelor's degree in economics in June 2006 and obtained a master degree in education from Shanxi University in December 2016. Mr. Zhang obtained the qualification as a lecturer in March 2019 and the qualification as a teacher in higher education institutions in June 2013.

Mr. Zhang did not hold any directorship in any listed companies during the last three years.

COMPANY SECRETARY

Mr. Zhang Senquan (張森泉), aged 43, was appointed as the company secretary of the Company on October 19, 2020. Mr. Zhang currently serves as the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company. He has been an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司) (a company listed on Sci-Tech innovation board of Shanghai Stock Exchange with a stock code of 688488) since May 2019. As of the Latest Practicable Date, Mr. Zhang is an independent non-executive director of the following companies whose shares are listed on the Stock Exchange:

Appointment Date	Company Name	Stock Code
October 2016	Jiande International Holdings Limited (formerly known as First Mobile Group Holdings Limited)	0865
June 2018	Beijing Digital Telecom Co., Ltd.	6188
November 2018	Natural Food International Holding Limited	1837
January 2020	Sang Hing Holdings (International) Ltd.	1472

Mr. Zhang also once served in other listed companies, including: (i) Bonny International Holding Limited (a company listed on the Main Board of the Stock Exchange with a stock code of 1906) as an independent non-executive director from March 2019 to June 2020; (ii) Southwest Securities International Securities Limited (a company listed on the Main Board of the Stock Exchange with a stock code of 812) as the managing director from February 2016 to March 2020; (iii) Casablanca Group Limited (a company listed on the Main Board of the Stock Exchange with a stock code of 2223) as an independent non-executive director from April 2015 to April 2018; (iv) Topchoice Medical Investment Co., Inc. (a company listed on the Shanghai Stock Exchange with a stock code of 600763) as an independent director from December 2014 to March 2017; (v) Goodbaby International Holdings Limited (a company listed on the Main Board of the Stock Exchange with a stock code of 1086) as the head of the Strategic Development Department from March 2013 to April 2014; (vi) Huazhong In-Vehicle Holdings Company Limited (a company listed on the Main Board of the Stock Exchange with a stock code of 6830) as the chief financial officer and joint company secretary from May 2014 to July 2015. Mr. Zhang has over ten years of experience in accounting and auditing, and worked at Ernst & Young Hua Ming, KPMG Huazhen and Deloitte Touche Tohmatsu CPA Ltd., serving several positions from audit staff to audit partner from October 1999 to October 2012.

Mr. Zhang obtained his bachelor's degree in economics from Fudan University in Shanghai, the PRC in July 1999. Mr. Zhang has been a member of Hong Kong Institute of Certified Public Accountants since September 2011, China Institute of Certified Public Accountants since December 2001 and American Institute of Certified Public Accountants since September 2015.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to make recommendations to our Board on the appointment and removal of external auditor, and to assist our Board in fulfilling its oversight responsibilities in relation to our Group's financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. The audit committee consists of three members, namely, Mr. Yau Wai Man Philip, Mr. Zan Zhihong and Mr. Hu Yuting, with Mr. Yau Wai Man Philip being the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, to review performance based remuneration and to ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely Mr. Hu Yuting, Mr. Yau Wai Man Philip and Mr. Niu Jian, with Mr. Hu Yuting being the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on the Board and to review our board diversity policy. The nomination committee consists of three members, namely, Mr. Niu Sanping, Mr. Hu Yuting and Mr. Zan Zhihong, with Mr. Niu Sanping being the chairman of the nomination committee.

CORPORATE GOVERNANCE

The Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Listing Rules.

Board Diversity

We [have adopted] a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of diversity in our Board. Our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and skills, including knowledge and experiences in the areas of law, finance and management in addition to education business. They obtained degrees in various majors including law, finance and management. Furthermore, our Board has a wide range of age, ranging from 35 years old to 61 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and the management levels. In particular, two of our seven Directors are female. After due consideration, our Board believes that based on our existing business model and meritocracy of our Directors, its composition satisfies the principles under the Board Diversity Policy.

Our nomination committee is responsible for ensuring the diversity of our Board. Upon [**REDACTED**], our nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the Board Diversity Policy in our corporate governance report on an annual basis.

REMUNERATION POLICY

We value our employees and recognize the importance of a good relationship with our employees. The remuneration of our employees includes salaries, various insurances and allowances.

Our Group offers competitive remuneration packages to our Directors, the aggregate amounts of emoluments (including salaries, allowances, other benefits and pension scheme contribution) paid to our Directors for the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020 were RMB1.7 million, RMB1.8 million, RMB1.7 million and RMB0.6 million, respectively. For the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, the aggregate of emoluments (including salaries, allowances, other benefits and pension scheme contribution) paid to the five highest paid individuals, excluding Directors and chief executive of our Group, were RMB0.5 million, RMB0.5 million, RMB0.6 million and RMB0.2 million, respectively.

During the Track Record Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of our Directors had waived any remuneration during the Track Record Period.

Under the arrangements currently in force, we estimate that the aggregate amount of emoluments (including salaries, allowances, other benefits and pension scheme contribution) payable to our Directors (excluding discretionary bonus) for the financial year ending August 31, 2021 will be approximately RMB3.4 million.

In order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group, we [adopted] the Share Option Scheme on [●]. For further details, see "Appendix V — Statutory and General Information — F. Share Option Scheme" in this document.

Save as disclosed in the section headed "Financial Information" and Appendix I in this document, no other payments had been made, or are payable, by any member of the Group to the Directors during the Track Record Period.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules — Management presence" in this document.

COMPLIANCE ADVISOR

Our Company has appointed Sinolink Securities (Hong Kong) Company Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company on the following matters:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the [**REDACTED**] or [**REDACTED**] of our Shares.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**] and such appointment may be subject to extension by mutual agreement.

As of the Latest Practicable Date and immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Immediately after the [REDACTED] and the [REDACTED][1]	
Name of shareholder	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company[2]**
Niusanping Limited[3]	Beneficial owner	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Niu Sanping[3]	Interest in a controlled corporation	[**REDACTED**] (L)	[**REDACTED**]%
Niujian Limited[4]	Beneficial owner	[**REDACTED**] (L)	[**REDACTED**]%
Mr. Niu Jian[4]	Interest in a controlled corporation	[**REDACTED**] (L)	[**REDACTED**]%

Notes:

(1) The letter "L" denotes the period's long position in the Shares.

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue after completion of the [**REDACTED**] and immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(3) Niusanping Limited is wholly-owned by Mr. Niu Sanping, our executive Director and a Controlling Shareholder. By virtue of the SFO, Mr. Niu Sanping is therefore deemed to be interested in the Shares held by Niusanping Limited upon [**REDACTED**].

(4) Niujian Limited is wholly-owned by Mr. Niu Jian, our executive Director. By virtue of the SFO, Mr. Niu Jian is therefore deemed to be interested in the Shares held by Niujian Limited upon [**REDACTED**].

Except as disclosed above, our Directors are not aware of any person who will, immediately following the [**REDACTED**] and the [**REDACTED**], have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized share capital

Shares	Description	Nominal value of each Share	Total nominal value
		(US$)	*(US$)*
5,000,000,000	As of the Latest Practicable Date	0.00001	50,000

Issued share capital

Shares	Description	Nominal value of each Share	Total nominal value
		(US$)	*(US$)*
200	As of the Latest Practicable Date	0.00001	0.002

Assuming the [**REDACTED**] is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Issued share capital		Total nominal value	Approximate percentage of issued share capital
		(US$)	*(%)*
200	Shares in issue as of the date of this document	0.002	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares in total	[**REDACTED**]	100.00

Assuming the [**REDACTED**] is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Issued share capital		**Total nominal value**	**Approximate percentage of issued share capital**
		(US$)	*(%)*
200	Shares in issue as of the date of this document	0.002	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares in total	[**REDACTED**]	100.00

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of [**REDACTED**] Shares will be issued upon exercise of the [**REDACTED**] in full.

PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08 of the Listing Rules, at the time of the [**REDACTED**] and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by members of the public (as defined in the Listing Rules).

Based on the information as per the above table, our Company will meet the public float requirement under the Listing Rules after the completion of the [**REDACTED**] (whether or not the [**REDACTED**] is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after [**REDACTED**].

RANKING

The [**REDACTED**] are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this document.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of Shareholders alter the share capital of our Company. For a summary of the provisions in the Articles of Association regarding alterations of share capital, see "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation — 2. Articles of Association — (a) Shares — (iii) Alteration of Capital" in this document.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on [●] 2021. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix V — Statutory and General Information — F. Share Option Scheme" in this document.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the total number of our Shares in issue immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (excluding any Shares which may fall to be issued pursuant to the [**REDACTED**]); and

(ii) the total number of our Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

Further details of this general mandate are set out in the section headed "Appendix V — Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the then shareholders of our Company passed on [●], 2021" in this document.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the number of our Shares in issue or to be issued immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (excluding any Shares which may fall to be issued upon the exercise of the [**REDACTED**]).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix V — Statutory and General Information — A. Further information about our Company — 5. Repurchase of our Shares" in this document.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see "Appendix V — Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the then shareholders of our Company passed on [●], 2021" in this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles and the Memorandum, a summary of which is set out in Appendix IV to this document.

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.

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, 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 independent college to public higher education institution, 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 or boarding fee rate. 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 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.

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 Refunds" 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**], 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 treatments 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% 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.

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 the opinion of our Directors, our Group's earnings will be retained in the PRC for the expansion of our Group's operation, so it is not probable that the members of our Group established in the PRC will 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**] 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.

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.

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**] 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.

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; 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, none of the amounts due to and from related parties as of December 31, 2020 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 and earned interest at the respective rates 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 on September 1, 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. We purchase 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 which have 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 and decision-making on the single financial transaction of which the principal accounts for less than 10% of the most recent audited net assets and the cumulative balance of the investment of current year does not exceed 50% of the most recent audited total net assets of the Company;

- 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 tuitions fees and boarding fees from students in September 2020; and (ii) we increased our investment in financial products.

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 Refunds" 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, RMB115.8 million, or 64.5%, 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 on September 1, 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

As of the Latest Practicable Date, none of the amounts due to and from related parties as of December 31, 2020 had been settled. 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.

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 [**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.

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 trading 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 RMB0.8787.

(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 RMB0.8787.

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.

FUTURE PLANS

Please refer to the section headed "Business — Our Business Strategies" in this document for further details of our future plans.

[REDACTED]

[REDACTED]

[REDACTED]

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The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. [As described in Appendix VI headed "Documents Delivered to the Registrar of Companies and Available for Inspection" to this document, a copy of the accountants' report is available for inspection.]

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

The Directors
China General Education Group Limited

GUOTAI JUNAN CAPITAL LIMITED

Dear Sirs,

We report on the historical financial information of China General Education Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-[3]] to [I-[63]], which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 August 2018, 2019 and 2020 and 31 December 2020 and the statements of financial position of the Company as at 31 August 2019 and 2020 and 31 December 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-[4]] to [I-[71]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 August 2018, 2019 and 2020 and 31 December 2020 and the financial position of the Company as at 31 August 2019 and 2020 and 31 December 2020, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the four months ended 31 December 2019 and other explanatory information (the "Interim Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

[●]
Certified Public Accountants
Hong Kong
[●]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 August			Four months ended 31 December	
	Notes	2018	2019	2020	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	*5*	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	*5*	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	*6*	144,754	137,578	142,735	58,472	50,861
Income tax expense	*9*	–	–	–	–	–
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
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY						
Basic and diluted	*11*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 August			As at 31 December
	Notes	**2018**	**2019**	**2020**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*12*	606,887	654,025	649,760	637,771
Right-of-use assets	*13*	67,848	89,438	89,799	89,030
Other intangible assets	*14*	4,216	4,152	4,395	4,387
Other non-current assets	*15*	11,672	8,356	7,771	7,248
Total non-current assets		690,623	755,971	751,725	738,436
CURRENT ASSETS					
Trade receivables	*16*	96	115	94	240
Prepayments, other receivables and other assets	*17*	74,124	247,113	19,654	6,708
Amounts due from directors	*27*	29,169	–	–	–
Amount due from a related party	*27*	316	–	–	838
Financial assets at fair value through profit or loss	*18*	–	30,124	311,657	400,000
Time deposits	*19*	10,000	–	–	–
Cash and cash equivalents	*19*	300,642	211,826	89,127	211,356
Total current assets		414,347	489,178	420,532	619,142
CURRENT LIABILITIES					
Contract liabilities	*21*	221,191	203,481	2,508	180,046
Other payables and accruals	*20*	104,273	119,678	95,047	57,462
Amounts due to directors	*27*	–	2,184	–	–
Amounts due to related parties	*27*	1,118	3,840	5,501	8
Total current liabilities		326,582	329,183	103,056	237,516
NET CURRENT ASSETS		87,765	159,995	317,476	381,626
TOTAL ASSETS LESS CURRENT LIABILITIES		778,388	915,966	1,069,201	1,120,062
Net assets		778,388	915,966	1,069,201	1,120,062
EQUITY					
Equity attributable to owners of the Company					
Share capital	*22*	–	–	–	–
Reserves	*23*	778,388	915,982	1,069,243	1,120,062
		778,388	915,982	1,069,243	1,120,062
Non-controlling interests		–	(16)	(42)	–
Total equity		778,388	915,966	1,069,201	1,120,062

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Statutory and other surplus reserves*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 22	*Note 23(a)*	*Note 23(b)*				
As at 1 September 2017	–	72,778	141,203	419,653	633,634	–	633,634
Profit and total comprehensive income for the year	–	–	–	144,754	144,754	–	144,754
Appropriations to statutory surplus reserves	–	–	37,066	(37,066)	–	–	–
As at 31 August 2018	–	72,778	178,269	527,341	778,388	–	778,388
As at 1 September 2018	–	72,778	178,269	527,341	778,388	–	778,388
Profit and total comprehensive income for the year	–	–	–	137,594	137,594	(16)	137,578
Appropriations to statutory surplus reserves	–	–	34,409	(34,409)	–	–	–
As at 31 August 2019	–	72,778	212,678	630,526	915,982	(16)	915,966
As at 1 September 2019	–	72,778	212,678	630,526	915,982	(16)	915,966
Profit and total comprehensive income for the year	–	–	–	142,761	142,761	(26)	142,735
Capital contribution from the then equity holders of subsidiaries	–	10,500	–	–	10,500	–	10,500
Appropriations to statutory surplus reserves	–	–	35,748	(35,748)	–	–	–
As at 31 August 2020	–	83,278	248,426	737,539	1,069,243	(42)	1,069,201

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Statutory and other surplus reserves*	Other reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 22	*Note 23(a)*	*Note 23(b)*	*Note 23(c)*				
As at 1 September 2020	–	83,278	248,426	–	737,539	1,069,243	(42)	1,069,201
Profit and total comprehensive income for the period	–	–	–	–	50,861	50,861	–	50,861
Deemed acquisition of non-controlling interests	–	–	–	(42)	–	(42)	42	–
Appropriations to statutory surplus reserves	–	–	12,756	–	(12,756)	–	–	–
As at 31 December 2020	–	83,278	261,182	(42)	775,644	1,120,062	–	1,120,062
As at 1 September 2019	–	72,778	212,678	–	630,526	915,982	(16)	915,966
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	58,509	58,509	(37)	58,472
Capital contribution from the then equity holders of subsidiaries (unaudited)	–	500	–	–	–	500	–	500
Appropriations to statutory surplus reserves (unaudited)	–	–	14,661	–	(14,661)	–	–	–
As at 31 December 2019 (unaudited)	–	73,278	227,339	–	674,374	974,991	(53)	974,938

* These reserve accounts represent the total consolidated reserves of RMB778,388,000, RMB915,982,000, RMB1,069,243,000 and RMB1,120,062,000 in the consolidated statements of financial position as at 31 August 2018, 2019 and 2020 and 31 December 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 August			Four months ended 31 December	
		2018	2019	2020	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax:		144,754	137,578	142,735	58,472	50,861
Adjustments for:						
Bank interest income	*5*	(226)	(362)	(347)	(213)	(261)
Interest income from financial products	*5*	(5,371)	(7,761)	(9,627)	(2,880)	(3,020)
Loss on disposal of items of property, plant and equipment, net	*6*	434	136	69	–	82
Fair value gains on financial assets at fair value through profit or loss	*5*	–	(124)	(1,657)	(1,095)	–
Loss on disposal of subsidiaries	*6*	164	–	–	–	–
Write-off of other receivables	*6*	3,378	–	–	–	–
Depreciation of property, plant and equipment	*6*	30,107	36,008	36,574	12,443	11,968
Depreciation of right-of-use assets	*6*	1,581	2,028	2,275	749	769
Amortisation of other intangible assets	*6*	838	1,306	1,328	486	585
Decrease/(increase) in trade receivables		40	(19)	21	(127)	(146)
Decrease/(increase) in prepayments, other receivables and other assets		998	(21,765)	17,671	25,669	14,487
Increase/(decrease) in contract liabilities		172,755	(17,710)	(200,973)	(36,476)	177,538
Increase/(decrease) in other payables and accruals		26,767	8,998	(14,064)	(12,743)	(20,613)
Decrease/increase in amounts due from related parties		79	316	–	–	(838)
(Decrease)/increase in amounts due to related parties		(4,757)	2,649	209	1,210	(5,493)
Cash generated from/(used in) operations		371,541	141,278	(25,786)	45,495	225,919
Interest received		226	362	347	213	261
Income tax paid		–	–	–	–	–
Net cash flows from/(used in) operating activities		371,767	141,640	(25,439)	45,708	226,180

	Notes	Year ended 31 August			Four months ended 31 December	
		2018	2019	2020	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		4,909	6,537	11,438	4,690	3,020
Acquisition of land use rights		–	(23,618)	(2,636)	(450)	–
Additions to other intangible assets		(2,841)	(1,242)	(2,071)	(398)	(577)
Proceeds from disposal of other non-current assets		–	1,692	–	–	–
Disposal of subsidiaries	*28*	(3,225)	–	–	–	–
Purchases of items of property, plant and equipment		(52,090)	(75,651)	(34,288)	(19,444)	(23,914)
Receipt of government grants for equipment and other intangible assets		–	500	500	–	5,863
Proceeds from disposal of items of property, plant and equipment		385	–	–	–	–
Additions to time deposits with original maturity of three months or more when acquired		(70,000)	(5,000)	–	–	–
Withdrawal of time deposits with original maturity of three months or more when acquired		60,000	15,000	–	–	–
Purchases of financial products		(685,000)	(1,270,000)	–	–	–
Proceeds from sale of financial products		635,000	1,120,000	200,000	200,000	–
Purchases of financial assets at fair value through profit or loss		(36,800)	(170,000)	(1,540,000)	(630,000)	(910,000)
Proceeds from sale of financial assets at fair value through profit or loss		36,800	140,000	1,260,000	330,000	821,657
Repayment from a director	*27*	4,726	29,069	–	–	–
Advance to a director	*27*	(7,504)	–	–	–	–
Repayment from a related party	*27*	500	73	1,481	59	–
Net cash flows used in investing activities		(115,140)	(232,640)	(105,576)	(115,543)	(103,951)

		Year ended 31 August			Four months ended 31 December	
	Notes	**2018**	**2019**	**2020**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from the then equity holders of subsidiaries	*23(a)*	–	–	10,500	500	–
Advance from directors	*26*	–	2,242	–	–	–
Repayment to directors	*26*	–	(58)	(2,184)	–	–
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		44,015	300,642	211,826	211,826	89,127
CASH AND CASH EQUIVALENTS AT END OF YEAR		300,642	211,826	89,127	142,491	211,356
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*19*	300,642	211,826	89,127	142,491	211,356
Time deposits	*19*	10,000	–	–	–	–
Less: Pledged time deposits for banking facilities of a related party	*19*	10,000	–	–	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows		300,642	211,826	89,127	142,491	211,356

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	**As at 31 August 2019**	**As at 31 August 2020**	**As at 31 December 2020**
		RMB'000	*RMB'000*	*RMB'000*
CURRENT ASSETS				
Amount due from a subsidiary		–	1	1
Total current assets		–	1	1
CURRENT LIABILITIES				
Amounts due to related parties		–	3	4
Total current liabilities		–	3	4
NET CURRENT LIABILITIES		–	(2)	(3)
TOTAL ASSETS LESS CURRENT LIABILITIES		–	(2)	(3)
Net liabilities		–	(2)	(3)
EQUITY				
Share capital	*22*	–	–	–
Reserves		–	(2)	(3)
Total equity		–	(2)	(3)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

China General Education Group Limited (the "Company") was incorporated in the Cayman Islands on 14 September 2018 as an exempted company with limited liability under the Companies Act (2021 Revision) of the Cayman Islands. The registered office address of the Company is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of higher education services (collectively the "[**REDACTED**] Business") in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the Relevant Periods.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in the following entities:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
China General Education Group (Hong Kong) Limited *(Note (b))*	Hong Kong 7 November 2018	HK$1	100%	–	Investment holding
General Business University of California Incorporated *(Note (a))*	California 22 October 2020	US$10,000	–	100%	Provision of higher education services
Shanxi General Genius Educational Technology Co., Ltd ("WFOE") *(Notes (a)&(d))* 山西通實天才教育科技有限公司	The PRC 24 June 2019	RMB50,000,000	–	100%	Provision of education management and services

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Shanxi General Education Technology Limited *(Note (a))* 山西通才教育科技有限公司	The PRC 17 May 2018	RMB50,000,000	–	See note 2.1	Investment holding
Shanxi Technology and Business College *(Note (c))* 山西工商學院	The PRC 22 August 2006	RMB72,778,000	–	See note 2.1	Provision of higher education services

Note (a) No audited financial statements have been prepared for these entities since their incorporation as statutory accounts are not required under the relevant rules and regulations in their jurisdiction of incorporation.

Note (b) The statutory financial statements of this entity from the date of incorporation to 31 December 2019 prepared under Hong Kong Small and Medium-Sized Entity Financial Reporting Standard have been audited by WOS CPA Limited (和氏會計師事務所有限公司) which is a certified public accounting firm registered in Hong Kong.

Note (c) The statutory financial statements for the years ended 31 December 2017 and 2018 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Shanxi Zhongguang Certified Public Accountants Co., Ltd (山西中光會計師事務所有限公司), which is a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2019 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Shanxi Taiyuan Certified Public Audit Limited Corporation (山西泰元審計師事務所有限公司), which is a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2020 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Beijing Yongenlihe Certified Public Audit Limited Corporation (北京永恩力合會計師事務所有限公司), which is a certified public accounting firm registered in the PRC.

Note (d) Shanxi General Genius Educational Technology Co., Ltd is registered as a wholly-foreign-owned enterprise under PRC law.

The English names of the companies or the school established in the PRC represent the best efforts made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in the Document, the 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 the PRC, the [**REDACTED**] Business was carried out by Shanxi Technology and Business College and Shanxi General Education Technology Limited (collectively, the "PRC Operating Entities") during the Relevant Periods. Pursuant to the Reorganisation, WFOE, the Company's wholly-owned subsidiary, has entered into the structured contracts with, among others, the PRC Operating Entities and their respective equity holders (the "Structured Contracts"). The arrangements of the Structured Contracts enable WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, after the Structured Contracts have been signed in November 2020, the PRC Operating Entities are controlled by the Company based on the Structured Contracts though the Company does not have any direct or indirect equity interest in the PRC Operating Entities. Details of the Structured Contracts are disclosed in the section headed "Contractual Arrangements" in the Document.

The entities now comprising the Group, including the PRC Operating Entities, were under common control of Mr. Niu Sanping (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods and the four months ended 31 December 2019 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 Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 August 2018, 2019 and 2020 and 31 December 2020 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or business held by parties other than the Controlling Shareholder, and the changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 September 2020, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that are relevant to the Group and have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

None of the above new and revised IFRSs are expected to have any significant financial effect on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, other than financial assets, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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 capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Property and buildings	2%
Electronic devices	10%-17%
Furnitures and fixtures	10%-20%
Motor vehicles	10%
Others	33%-50%

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

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

Construction in progress represents 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

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

Group as a lessee

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

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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 the 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 term 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 recognised 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.

Investment and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, amounts due to directors and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is deducted in reporting the related expense on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised 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.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers. If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The Group recognises revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from students are generally paid in advance prior to the beginning of each academic year and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the periods of the applicable program since students simultaneously receives and consumes the benefits provided by Shanxi Technology and Business College as it performs. The portion of tuition and boarding payments received from students but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's schools is generally from September to August of the following year.

The Group does not expect to have any contracts where the period between the transfer of the services promised to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Other income

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

Examination and training income is recognised proportionately over the periods of the applicable programme.

Contract liabilities

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

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions may be used by the employer to reduce the existing level of contribution.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual arrangements

The PRC Operating Entities are mainly engaged in the provision of education services, which falls into the scope of the "Catalogue of Restricted Foreign Investment Industries" which prohibits foreign investors from investing in certain industries.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Structured Contracts.

The Company does not have any equity interest in the PRC Operating Entities. However, as a result of the Structured Contracts, the Company has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is therefore considered to have control over the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the PRC Operating Entities in the Historical Financial Information during the Relevant Periods.

Current and deferred tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of the current and deferred tax are set out in note 9 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on other receivables

The provision of receivables is made based on assessment of their recoverability and ageing analysis of receivables as well as other quantitative and qualitative information and on management's judgment and assessment of the forward-looking information.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of debtors' actual default in the future. Further details of the carrying amounts of other receivables are disclosed in note 17 to the Historical Financial Information.

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 categorised 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. The Group monitors its investments for their fair value assessment by considering factors including, but not limited to, current economic and market conditions. Further details are disclosed in note 31 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of higher education services in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods and the four months ended 31 December 2019, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no geographical segment information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during the Relevant Periods and the four months ended 31 December 2019.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the Relevant Periods and the four months ended 31 December 2019.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
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 revenue from contracts with customers	267,361	266,273	271,083	110,949	110,284
Other income and gains					
Bank interest income	226	362	347	213	261
Interest income from financial products	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	–	124	1,657	1,095	–
Others	4,398	3,720	5,590	2,384	1,001
	12,779	18,196	18,967	7,823	4,820

Tuition and boarding fees are recognised proportionately over the period of the applicable program.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 August			Four months ended 31 December	
		2018	2019	2020	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration *(Note 7)*):						
Wages and salaries		51,040	55,352	57,863	24,543	24,765
Pension scheme contributions (defined contribution scheme)		7,512	9,952	11,524	3,739	4,562
Depreciation of property, plant and equipment	*12*	30,107	36,008	36,574	12,443	11,968
Depreciation of right-of-use assets	*13*	1,581	2,028	2,275	749	769
Amortisation of other intangible assets	*14*	838	1,306	1,328	486	585
Auditor's remuneration		20	20	20	–	–
Fair value gains on financial assets at fair value through profit or loss	*5*	–	(124)	(1,657)	(1,095)	–
Loss on disposal of items of property, plant and equipment, net	*(a)*	434	136	69	–	82
Loss on disposal of subsidiaries	*(a)*	164	–	–	–	–
Write-off of other receivables	*(a)*	3,378	–	–	–	–
Donation expenses	*(a)*	–	5	–	–	–
[**REDACTED**] expenses	*(b)*	2,379	3,468	3,948	1,085	4,791
Government grants – related to income	*(c)*	(727)	(507)	–	–	(954)

Note (a) Loss on disposal of items of property, plant and equipment, loss on disposal of subsidiaries, write-off of other receivables and donation expenses are included in other expenses in the consolidated statements of profit or loss and other comprehensive income.

Note (b) [**REDACTED**] expenses are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

Note (c) Various government grants have been received for certain teaching and research activities. The government grants received have been deducted from cost of sales in the consolidated statements of profit or loss and other comprehensive income when they relate to income and from property, plant and equipment and other intangible assets in the consolidated statements of financial position when they relate to assets. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Niu Sanping was redesignated as an executive director and appointed as the chairman of the Company on 19 October 2020. Mr. Niu Jian was redesignated as an executive director on 19 October 2020 and he is also the chief executive officer of the Company. Ms. Zhang Zhonghua and Mr. Niu Xiaojun were appointed as executive directors of the Company on 19 October 2020.

All of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	1,566	1,595	1,592	541	549
Performance related bonuses	3	20	–	–	–
Pension scheme contributions	164	207	141	48	52
Total	1,733	1,822	1,733	589	601

(a) Independent non-executive directors

There was no emolument payable to the independent non-executive directors during the Relevant Periods and the four months ended 31 December 2019.

(b) Executive directors

Year ended 31 August 2018

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Niu Sanping	–	1,203	2	57	1,262
– Mr. Niu Jian	–	108	–	34	142
– Ms. Zhang Zhonghua	–	101	1	30	132
– Mr. Niu Xiaojun	–	154	–	43	197
	–	1,566	3	164	1,733

Year ended 31 August 2019

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Niu Sanping	–	1,200	8	65	1,273
– Mr. Niu Jian	–	123	4	43	170
– Ms. Zhang Zhonghua	–	109	4	39	152
– Mr. Niu Xiaojun	–	163	4	60	227
	–	1,595	20	207	1,822

Year ended 31 August 2020

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Niu Sanping	–	1,207	–	–	1,207
– Mr. Niu Jian	–	118	–	43	161
– Ms. Zhang Zhonghua	–	165	–	59	224
– Mr. Niu Xiaojun	–	102	–	39	141
	–	1,592	–	141	1,733

Four months ended 31 December 2019 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Niu Sanping	–	404	–	–	404
– Mr. Niu Jian	–	41	–	14	55
– Ms. Zhang Zhonghua	–	42	–	13	55
– Mr. Niu Xiaojun	–	54	–	21	75
	–	541	–	48	589

Four months ended 31 December 2020

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
– Mr. Niu Sanping	–	405	–	–	405
– Mr. Niu Jian	–	40	–	16	56
– Ms. Zhang Zhonghua	–	41	–	15	56
– Mr. Niu Xiaojun	–	63	–	21	84
	–	549	–	52	601

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the four months ended 31 December 2019.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 August 2018, 2019 and 2020, and the four months ended 31 December 2019 and 2020 always included two directors, respectively, details of whose remuneration are set out in note 7 above. Details of the remuneration for the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2019 and 2020 of the remaining 3, 3, 3, 3 and 3 highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	348	390	468	156	208
Performance related bonuses	5	12	–	–	–
Pension scheme contributions	110	137	93	31	19
	463	539	561	187	227

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
				(unaudited)	
Nil to HK$1,000,000	3	3	3	3	3

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The 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.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies 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 Relevant Periods and up to the date of this report, Shanxi Technology and Business College has historically enjoyed, the preferential tax treatment since their establishment. As a result, no income tax expense was recognised by Shanxi Technology and Business College for the income from the provision of formal educational services during the Relevant Periods and the four months ended 31 December 2019.

The Group's non-school subsidiaries established in Mainland China were subject to the PRC corporate income tax rate of 25% during the Relevant Periods.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Relevant Periods. The major component of income tax expense of the Group are as follows:

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
Charge for the year/period	–	–	–	–	–
Total tax charge for the year/period	–	–	–	–	–

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
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 recognised	–	14	66	43	41
Tax charge at the Group's effective rate	–	–	–	–	–

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

As at 31 August 2018, 2019 and 2020 and 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 August 2018, 2019 and 2020 and 31 December 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB527,338,000, RMB630,580,000, RMB737,851,000, and RMB776,120,000 respectively.

As at 31 August 2018, 2019 and 2020 and 31 December 2020, the Group had tax losses arising in Mainland China of nil, RMB55,000, RMB308,000, and RMB171,000 respectively, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that the taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

10. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group by applying the principles of merger accounting for the Relevant Periods and the four months ended 31 December 2019.

12. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings	Electronic devices	Furnitures and fixtures	Motor vehicles	Others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 August 2018							
At 1 September 2017:							
Cost	554,443	85,082	50,441	7,681	8,660	22,242	728,549
Accumulated depreciation	(70,654)	(45,400)	(29,485)	(3,319)	(1,600)	–	(150,458)
Net carrying amount	483,789	39,682	20,956	4,362	7,060	22,242	578,091
At 1 September 2017, net of accumulated depreciation	483,789	39,682	20,956	4,362	7,060	22,242	578,091
Additions	–	10,117	3,985	70	–	45,550	59,722
Transfers	17,353	–	–	–	5,062	(22,415)	–
Disposal	(815)	(3)	(1)	–	–	–	(819)
Depreciation provided during the year *(note 6)*	(12,389)	(9,024)	(4,603)	(720)	(3,371)	–	(30,107)
At 31 August 2018, net of accumulated depreciation	487,938	40,772	20,337	3,712	8,751	45,377	606,887
At 31 August 2018:							
Cost	570,429	94,955	54,041	7,751	13,722	45,377	786,275
Accumulated depreciation	(82,491)	(54,183)	(33,704)	(4,039)	(4,971)	–	(179,388)
Net carrying amount	487,938	40,772	20,337	3,712	8,751	45,377	606,887

	Property and buildings	Electronic devices	Furnitures and fixtures	Motor vehicles	Others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 August 2019							
At 1 September 2018:							
Cost	570,429	94,955	54,041	7,751	13,722	45,377	786,275
Accumulated depreciation	(82,491)	(54,183)	(33,704)	(4,039)	(4,971)	–	(179,388)
Net carrying amount	487,938	40,772	20,337	3,712	8,751	45,377	606,887
At 1 September 2018, net of accumulated depreciation	487,938	40,772	20,337	3,712	8,751	45,377	606,887
Additions	–	9,083	3,943	100	–	70,156	83,282
Transfers	106,109	–	–	–	8,624	(114,733)	–
Disposal	–	(110)	(3)	(23)	–	–	(136)
Depreciation provided during the year *(note 6)*	(13,583)	(10,311)	(4,509)	(653)	(6,952)	–	(36,008)
At 31 August 2019, net of accumulated depreciation	580,464	39,434	19,768	3,136	10,423	800	654,025
At 31 August 2019:							
Cost	676,538	103,649	57,940	7,303	22,346	800	868,576
Accumulated depreciation	(96,074)	(64,215)	(38,172)	(4,167)	(11,923)	–	(214,551)
Net carrying amount	580,464	39,434	19,768	3,136	10,423	800	654,025

	Property and buildings	Electronic devices	Furnitures and fixtures	Motor vehicles	Others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 August 2020							
At 1 September 2019:							
Cost	676,538	103,649	57,940	7,303	22,346	800	868,576
Accumulated depreciation	(96,074)	(64,215)	(38,172)	(4,167)	(11,923)	–	(214,551)
Net carrying amount	580,464	39,434	19,768	3,136	10,423	800	654,025
At 1 September 2019, net of accumulated depreciation	580,464	39,434	19,768	3,136	10,423	800	654,025
Additions	–	6,543	3,582	–	–	22,253	32,378
Transfers	14,316	–	–	–	3,952	(18,268)	–
Disposal	–	(64)	(5)	–	–	–	(69)
Depreciation provided during the year *(note 6)*	(15,178)	(9,402)	(4,247)	(647)	(7,100)	–	(36,574)
At 31 August 2020, net of accumulated depreciation	579,602	36,511	19,098	2,489	7,275	4,785	649,760
At 31 August 2020:							
Cost	690,853	110,071	61,502	7,303	26,298	4,785	900,812
Accumulated depreciation	(111,251)	(73,560)	(42,404)	(4,814)	(19,023)	–	(251,052)
Net carrying amount	579,602	36,511	19,098	2,489	7,275	4,785	649,760

	Property and buildings	Electronic devices	Furnitures and fixtures	Motor vehicles	Others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020							
At 1 September 2020:							
Cost	690,853	110,071	61,502	7,303	26,298	4,785	900,812
Accumulated depreciation	(111,251)	(73,560)	(42,404)	(4,814)	(19,023)	–	(251,052)
Net carrying amount	579,602	36,511	19,098	2,489	7,275	4,785	649,760
At 1 September 2020, net of accumulated depreciation	579,602	36,511	19,098	2,489	7,275	4,785	649,760
Additions	–	1,325	1,723	–	–	2,876	5,924
Government grants	–	(3,431)	(636)	–	(1,796)	–	(5,863)
Transfers	1,796	–	–	–	1,785	(3,581)	–
Disposal	–	–	(82)	–	–	–	(82)
Depreciation provided during the period *(note 6)*	(5,107)	(3,154)	(1,551)	(216)	(1,940)	–	(11,968)
At 31 December 2020, net of accumulated depreciation	576,291	31,251	18,552	2,273	5,324	4,080	637,771
At 31 December 2020:							
Cost	692,649	107,965	62,294	7,303	26,287	4,080	900,578
Accumulated depreciation	(116,358)	(76,714)	(43,742)	(5,030)	(20,963)	–	(262,807)
Net carrying amount	576,291	31,251	18,552	2,273	5,324	4,080	637,771

The Group's buildings are situated in Mainland China.

As at 31 August 2018, 2019 and 2020 and 31 December 2020, certificates of ownership in respect of certain buildings of the Group located in Taiyuan city, the PRC, with total net carrying amounts of approximately RMB326,082,000, RMB418,924,000, RMB419,872,000 and RMB416,334,000, respectively, have not yet been issued by the relevant PRC authorities. As at the end of each of the Relevant Periods, the Group was still in the process of obtaining these certificates.

13. LEASES

As lessee

The Group has lease contracts for land use rights used in its operation. Lump sum payments were made upfront to acquire the land use rights with the lease periods of 50 years from the owners, and no ongoing payments will be made under the terms of the land lease.

The carrying amounts of the Group's land use rights and the movements during the Relevant Periods are as follows:

		As at 31 August			As at 31 December
	Note	**2018**	**2019**	**2020**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period		69,429	67,848	89,438	89,799
Additions		–	23,618	2,636	–
Depreciation provided during the year/period	*6*	(1,581)	(2,028)	(2,275)	(769)
Carrying amount at end of year/period, net of accumulated depreciation		67,848	89,438	89,799	89,030
At end of year/period:					
Cost		79,088	102,706	105,342	105,342
Accumulated depreciation		(11,240)	(13,268)	(15,543)	(16,312)
Net carrying amount		67,848	89,438	89,799	89,030

As at 31 August 2018, 2019 and 2020 and 31 December 2020, the Group was in the process of applying for land use rights certificates for leased land with aggregate net carrying amounts of RMB7,254,000, RMB30,223,000, RMB31,289,000 and RMB30,980,000, respectively, for which the Group had not obtained the land use rights certificates.

As lessor

The Group leases certain of its items of property, plant and equipment with terms ranging from one to five years which are cancellable with three months' notice.

As at 31 August 2018, 2019 and 2020 and 31 December 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	867	867	867	403

14. OTHER INTANGIBLE ASSETS

		As at 31 August			As at 31 December
	Note	**2018**	**2019**	**2020**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Software					
Carrying amount at beginning of year/period		2,213	4,216	4,152	4,395
Additions		2,841	1,242	2,071	577
Government grants		–	–	(500)	–
Amortisation provided during the year/period	6	(838)	(1,306)	(1,328)	(585)
Carrying amount at end of year/period, net of accumulated amortisation		4,216	4,152	4,395	4,387
At end of year/period:					
Cost		7,877	9,119	10,690	11,267
Accumulated amortisation		(3,661)	(4,967)	(6,295)	(6,880)
Net carrying amount		4,216	4,152	4,395	4,387

15. OTHER NON-CURRENT ASSETS

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for acquisition of land use rights	8,940	7,248	7,248	7,248
Prepayments for purchase and construction of property, plant and equipment	2,732	1,108	523	–
	11,672	8,356	7,771	7,248

16. TRADE RECEIVABLES

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees receivable	93	109	88	231
Boarding fees receivable	3	6	6	9
	96	115	94	240

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming academic year, which normally commences in September. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees for one to three years. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables were immaterial, there is no significant concentration of credit risk to the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of provisions, is as follows:

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	78	74	69	222
1 to 2 years	12	39	18	3
2 to 3 years	6	2	7	8
3 to 4 years	–	–	–	7
	96	115	94	240

The Group applies 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. The Group considers the historical default rate and days past due of the trade receivables in measuring the expected credit losses during the Relevant Periods.

Trade receivables as at the end of each of the Relevant Periods were not past due and had no recent history of default. The expected credit losses were assessed to be minimal at the end of each of the Relevant Periods.

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

Note (a) The amount represents tuition, boarding and miscellaneous fees paid by students through third-party payment platforms on 31 August and received by the Group on 1 September.

Note (b) The amount represents the financial products in RMB which are issued by creditworthy banks with no recent history of default, earn interest at the respective return rates, with original maturities of three months. They are measured at amortised cost because their cash flows are solely payments with principal and interest.

Except for certain receivables for which the counterparty failed to make demanded repayment and the Group has written off as uncollectible (note 6), the other balances relate to receivables for which there was no recent history of default. The financial assets included in the above balances were not past due at the end of each reporting period. During the Relevant Periods, except for the default receivables, the Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses and has assessed that the expected credit losses is immaterial.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at fair value	–	30,124	311,657	400,000

The above unlisted investments were financial products issued by banks in Mainland China. They were denominated in RMB and had maturity within three months with uncertain expected return rates ranging from 1.40% to 3.70% per annum.

They were mandatorily classified as financial assets at fair value through profit or loss as the return on all of these financial products is not guaranteed, i.e. their contractual cash flows are not solely payments of principal and interest.

19. CASH AND CASH EQUIVALENTS

		As at 31 August			As at 31 December
	Note	**2018**	**2019**	**2020**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	*24*	10,000	–	–	–
Cash and cash equivalents		300,642	211,826	89,127	211,356

At the end of each of the Relevant Periods, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The expected credit loss is close to zero.

Time deposits are made for one year to earn interest at the respective time deposit rates.

20. OTHER PAYABLES AND ACCRUALS

		As at 31 August			As at 31 December
	Note	**2018**	**2019**	**2020**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for purchase and construction of property, plant and equipment		28,791	35,198	32,731	14,218
Miscellaneous fees received from students	*(a)*	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		9,457	11,906	13,254	15,037
		104,273	119,678	95,047	57,462

Note (a) The amount represents the miscellaneous fees received from students which will be paid out on behalf of students.

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals at the end of each of the Relevant Periods approximated to their fair values due to their short-term maturities.

21. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 August 2018, 2019 and 2020 and 31 December 2020. Most of the contract liabilities are expected to be recognised within one year:

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fees	200,335	185,230	2,433	164,445
Boarding fees	20,856	18,251	75	15,601
Contract liabilities	221,191	203,481	2,508	180,046

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the period of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services not rendered.

Significant changes in the contract liability balances during the Relevant Periods are as follows:

	As of 31 August			As of 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	48,436	221,191	203,481	2,508
Revenue recognised 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)	–
Increase due to cash received, net of the amounts recognised 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

* Certain boarding fees were reclassified to other payables to students as refund to the students for the closure of campuses as a result of the COVID-19 pandemic pursuant to the notice issued by the Department of Education of Shanxi Province.

22. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 14 September 2018 with initial authorised share capital of US$50,000 divided into 5,000,000,000 shares of US$0.00001 each, of which one share of US$0.00001 was issued and allotted to Niusanping Limited and one share to Niujian Limited.

On 15 November 2018, 50 and 48 shares of US$0.00001 each of the Company have been issued and allotted to Niusanping Limited and Niujian Limited, respectively. On 18 March 2019, 91 and 9 shares of US$0.00001 each of the Company have been issued and allotted to Niusanping Limited and Niujian Limited, respectively.

23. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the four months ended 31 December 2019 are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(a) Capital reserve

The capital reserve of the Group represents the capital contribution from the equity holders of the Group's subsidiaries. On 4 November 2019 and 31 July 2020, capital contributions amounting to RMB500,000 and RMB10,000,000 were injected to Shanxi General Education Technology Limited by Mr. Niu Sanping, respectively.

(b) Statutory and other surplus reserves

Pursuant to the relevant PRC laws, the Company's subsidiaries in Mainland China shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) the statutory surplus reserves of the limited liability companies and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, private schools that do not require reasonable returns are required to appropriate the development fund of not less than 25% of the net increase in net assets of the relevant schools, as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

(c) Other reserve

Other reserve represents the proportionate share of subsidiaries now comprising the Group attributable to a party other than the Controlling Shareholder prior to the Reorganisation and was deemed to be acquired by the Company at nil consideration upon the Reorganisation.

24. CONTINGENT LIABILITIES

		As at 31 August			As at 31 December
	Note	**2018**	**2019**	**2020**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged time deposits for banking facilities of a related party	*27*	10,000	–	–	–

As at 31 August 2018, the Group had its time deposits amounting to RMB10,000,000 pledged for a bank loan of RMB10,000,000 granted to Shanxi Tongcai Education Investment Co., Ltd. ("Tongcai Investment"), which was matured on 21 December 2018. The time deposits were withdrawn by the Group on 7 January 2019.

25. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Buildings	66,577	27,531	14,669	15,776
Teaching facilities	8,969	9,707	1,491	13,211
	75,546	37,238	16,160	28,987

26. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 August 2020, prepayment to a supplier of RMB8,100,000 was offset with the same amount of payables to logistics services according to an agreement with counterparties signed on 25 August 2020.

(b) Changes in liabilities arising from financing activities

Year ended 31 August 2018	*Note*	**Amounts due to directors**
		RMB'000
At 1 September 2017		–
Changes from financing cash flows		–
At 31 August 2018	*27*	–

Year ended 31 August 2019		**Amounts due to directors**
		RMB'000
At 1 September 2018		–
Changes from financing cash flows		2,184
At 31 August 2019	*27*	2,184

Year ended 31 August 2020		**Amounts due to directors**
		RMB'000
At 1 September 2019		2,184
Changes from financing cash flows		(2,184)
At 31 August 2020	*27*	–

Four months ended 31 December 2020		**Amounts due to directors**
		RMB'000
At 1 September 2020		–
Changes from financing cash flows		–
At 31 December 2020	*27*	–

Four months ended 31 December 2019 (Unaudited)	**Amounts due to directors**
	RMB'000
At 1 September 2019	2,184
Changes from financing cash flows (Unaudited)	–
At 31 December 2019 (Unaudited)	2,184

27. RELATED PARTY TRANSACTIONS

(a) Names and relationship

The directors of the Group are of the opinion that the following parties/companies are related parties that had transactions or balances with the Group during the Relevant Periods.

Name	*Note*	Relationship
Mr. Niu Sanping		Director of the Company
Mr. Niu Jian		Director of the Company/Son of Mr. Niu Sanping
Ms. Zhang Zhonghua		Director of the Company
Mr. Niu Xiaojun		Director of the Company/Nephew of Mr. Niu Sanping and cousin of Mr. Niu Jian
Niujian Limited		One of the shareholders of the Company
Niusanping Limited		One of the shareholders of the Company
Tongcai Investment		A company jointly owned by Mr. Niu Sanping, Mr. Niu Jian and an independent third party
Shanxi Hanghangxing Human Resources Services Co., Ltd.		A company controlled by Mr. Niu Jian
Shanxi Datanghongyuan Books Issue Co., Ltd.	*(i)*	A company controlled by Tongcai Investment
Shanxi Tongcai Training School		School sponsor is Shanxi Tongcai Educational Consulting Company Limited, which is owned as to 40% by Tongcai Investment and 60% by Mr. Niu Jian.

(i) This company was controlled by Tongcai Investment from 1 December 2016 to 30 August 2018.

(b) Transactions with related parties

During the Relevant Periods and the four months ended 31 December 2019, the Group entered into the following transactions with its related parties:

		Year ended 31 August			Four months ended 31 December	
	Notes	**2018**	**2019**	**2020**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors:						
Repayment from directors		4,726	29,169	–	–	–
Advance to a director		7,504	–	–	–	–
Advance from directors		–	2,242	–	–	–
Repayment to directors		–	58	2,184	–	–
Other related parties:						
Purchases of property, plant and equipment	*(i)*	2,370	–	–	–	–
Purchases of products	*(ii)*	4,460	–	–	–	–
Purchases of services	*(iii)*	3,463	3,755	2,268	1,802	397
Financial guarantee	*(iv)*	10,000	10,000	–	–	–
Repayment from a related party		500	73	1,481	59	[●]
Others		1,767	1,767	1,767	589	442

(i) The purchases of property, plant and equipment were made according to the published prices and conditions offered by the related parties to their major customers.

(ii) the purchases of products were made according to the published prices and conditions offered by the related parties to their major customers.

(iii) The purchases of services were charged based on the published prices and conditions offered by the related party to its major customers.

(iv) For the financial guarantee granted to the related party, which had been released on 21 December 2018, please refer to note 24 to the Historical Financial Information.

(c) Outstanding balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balances due from/to related parties at 31 August 2018, 2019 and 2020 and 31 December 2020, respectively.

Amounts due from directors:

Name	As at 31 August 2018	As at 31 August 2019	As at 31 August 2020	As at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Niu Sanping	29,069	–	–	–
Mr. Niu Jian	100	–	–	–
	29,169	–	–	–

Amount due from a related party:

Name	As at 31 August 2018	As at 31 August 2019	As at 31 August 2020	As at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tongcai Investment	–	–	–	838
Shanxi Hanghangxing Human Resources Services Co., Ltd.	316	–	–	–
	316	–	–	838

Except for the amounts due from Tongcai Investment, amounts due from directors and due from a related party were non-trade in nature.

The Group analysed the credit risk related to amounts due from related parties and amounts due from directors and categorised all the amounts in stage 1 at the end of each of the Relevant Periods. During the Relevant Periods, the Group estimated the expected loss rate for amounts due from related parties and amounts due from directors is minimal.

Amounts due to directors:

Name	As at 31 August 2018	As at 31 August 2019	As at 31 August 2020	As at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Niu Sanping	–	184	–	–
Mr. Niu Jian	–	2,000	–	–
	–	2,184	–	–

Amounts due to related parties:

Name	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

Except for the amounts due to Tongcai Investment, amounts due to directors and due to related parties were unsecured, interest-free, repayable on demand and non-trade in nature.

The amounts due to Niusanping Limited and Niujian Limited will be settled before [**REDACTED**].

(d) Compensation of key management personnel of the Group:

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short term employee benefits	1,687	1,748	1,754	600	664
Pension scheme contributions	199	252	178	66	64
	1,886	2,000	1,932	666	728

Further details of directors' and the chief executive's emoluments are included in note 7 to the Historical Financial Information.

28. DISPOSAL OF SUBSIDIARIES

(1) Disposal of Shanxi General Videos Culture Media Co., Ltd. (山西通才影視文化傳媒有限公司)

In June 2018, the Group disposed of 95% interests in Shanxi General Videos Culture Media Co., Ltd., which were acquired by Ms. Chen Li for RMB8,297,000. The disposal of Shanxi General Videos Culture Media Co., Ltd. was completed on 29 June 2018.

	Note	**As at 29 June 2018**
		RMB'000
Net assets disposed of:		
Cash and bank balances		3,103
Prepayments, other receivables and other assets		8,193
Accruals and other payables		(2,898)
Tax payable		(1)
		8,397
Proportion of the Group's ownership interest		95%
Share of net assets of the subsidiary	*(a)*	8,397
Satisfied by:		
Total cash consideration		8,297
Loss on disposal		(100)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	Year ended 31 August 2018
	RMB'000
Cash consideration	–
Cash and bank balances disposed of	(3,103)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(3,103)

(a) According to the resolution of shareholders, the non-controlling shareholder did not share net assets as no contributions were made.

(2) DISPOSAL OF SHANXI GENERAL CULTURE AND ART TROUPE CO., LTD. (山西通才文化藝術團有限公司)

In May 2018, the Group disposed of 90.9% interests in Shanxi General Culture and Art Troupe Co., Ltd., which were acquired by Ms. Chen Li for nil consideration. The disposal of Shanxi General Culture and Art Troupe Co., Ltd. was completed on 25 June 2018.

	Note	**As at 25 June 2018**
		RMB'000
Net assets disposed of:		
Cash and bank balances		122
Accruals and other payables		(57)
Tax payable		(1)
		64
Proportion of the Group's ownership interest		90.9%
Share of net assets of the subsidiary	*(a)*	64
Satisfied by:		
Total cash consideration		–
Loss on disposal		(64)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	Year ended 31 August 2018
	RMB'000
Cash consideration	–
Cash and bank balances disposed of	(122)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(122)

(a) According to the resolution of shareholders, the non-controlling shareholder did not share net assets as no contributions were made.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

Financial assets at fair value

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	30,124	311,657	400,000

Financial assets at amortised cost

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	96	115	94	240
Financial assets included in prepayments, other receivables and other assets	65,231	237,064	16,389	1,902
Amounts due from directors	29,169	–	–	–
Amount due from a related party	316	–	–	838
Time deposits	10,000	–	–	–
Cash and cash equivalents	300,642	211,826	89,127	211,356
	405,454	449,005	105,610	214,336

Financial liabilities at amortised cost

	As at 31 August			As at 31 December
	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	85,342	99,953	76,398	35,644
Amounts due to directors	–	2,184	–	–
Amounts due to related parties	1,118	3,840	5,501	8
	86,460	105,977	81,899	35,652

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets at fair value

	Carrying amounts				Fair values			
	As at 31 August			As at 31 December	As at 31 August			As at 31 December
	2018	2019	2020	2020	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	30,124	311,657	400,000	–	30,124	311,657	400,000

Management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments, other receivables and other assets, amounts due from directors, amount due from a related party, trade receivables, financial liabilities included in other payables and accruals, amounts due to directors and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent financial products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by discounting the expected future cash flows using rates currently available for instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1)	*(Level 2)*	*(Level 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	400,000	–	400,000

	Fair value measurement as at 31 August 2020 using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1)	*(Level 2)*	*(Level 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	311,657	–	311,657

	Fair value measurement as at 31 August 2019 using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1)	*(Level 2)*	*(Level 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	30,124	–	30,124

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as amounts due to directors, amounts due to related parties, amounts due from directors, amount due from a related party, trade receivables, financial assets at fair value through profit or loss and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's 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 the 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 the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 August 2018, 2019 and 2020 and 31 December 2020.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	240	240
Financial assets included in prepayments, other receivables and other assets – Normal**	1,902	–	–	–	1,902
Amounts due from a related party	838	–	–	–	838
Cash and cash equivalents – not yet past due	211,356	–	–	–	211,356
	214,096	–	–	240	214,336

As at 31 August 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	94	94
Financial assets included in prepayments, other receivables and other assets – Normal**	16,389	–	–	–	16,389
Cash and cash equivalents – not yet past due	89,127	–	–	–	89,127
	105,516	–	–	94	105,610

As at 31 August 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	115	115
Financial assets included in prepayments, other receivables and other assets – Normal**	237,064	–	–	–	237,064
Cash and cash equivalents – not yet past due	211,826	–	–	–	211,826
	448,890	–	–	115	449,005

As at 31 August 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	96	96
Financial assets included in prepayments, other receivables and other assets – Normal**	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

* The 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 the Group applies the simplified approach for impairment, information about the expected credit losses is disclosed in note 16 to the Historical Financial Information.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., other receivables and other assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2020

	On demand	**Total**
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	35,644	35,644
Due to related parties	8	8
	35,652	35,652

As at 31 August 2020

	On demand	**Total**
	RMB'000	*RMB'000*
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 at 31 August 2019

	On demand	**Total**
	RMB'000	*RMB'000*
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 at 31 August 2018

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	85,342	85,342
Due to related parties	1,118	1,118
	86,460	86,460

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Capital of the Group includes equity attributable to owners of the Company. The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	326,582	329,183	103,056	237,516
Total assets	1,104,970	1,245,149	1,172,257	1,357,578
Debt-to-asset ratios	30%	26%	9%	18%

32 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the text of a letter, a valuation summary and valuation certificates prepared for the purpose of incorporation in this document received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests held by the Group. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
Units 1602-4, 16/F, FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong

The Board of Directors
China General Education Group Limited
No. 99 Wucheng South Road, Xiaodian District,
Taiyuan City, Shanxi Province, The PRC

[●]

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Values of the property interests located in The People's Republic of China ("**The PRC**") held by China General Education Group Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 31 March 2021 (the "**Valuation Date**").

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

In the valuation of the property interests held by the Group, we have adopted Cost Approach.

Cost Approach is subject to an assumption of adequate potential profitability of the business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed. This technique is based on an estimate of the value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land, reference has been made to the land sale transactions as available in the locality. It generally provides the most reliable indication of value for a property in the absence of a known market based on comparable sales.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by The PRC legal advisor of the Group, Commerce & Finance Law Offices, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal advisor.

All legal documents disclosed in this letter, the valuation summary and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the valuation summary and the valuation certificates.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and the legal advisor, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The properties were inspected externally and internally on 18 May 2020. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("**RMB**").

The valuation summary and the valuation certificates are attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited

Vincent Cheung
BSc(Hons) MBA FRICS MHKIS RPS(GP) MCIREA
MHKSI MISCM MHIREA
RICS Registered Valuer
Registered Real Estate Appraiser & Agent
PRC
Managing Director

Note: Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region ("**Hong Kong**"), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION SUMMARY

Property Interests Held by the Group for Occupation in The PRC

No.	Property	Market Value as at 31 March 2021	Interest Attributable to the Group	Market Value as at 31 March 2021 Attributable to the Group
1	Shanxi Technology And Business College Longcheng Campus Located at No. 99 Wucheng South Road, Xiaodian District, Taiyuan, Shanxi Province, The PRC	RMB330,000,000	100%	RMB330,000,000
2	Shanxi Technology And Business College Beige Campus Located at Beige Village North Road, Beige Village, Xiaodian District, Taiyuan, Shanxi Province, The PRC	No Commercial Value	100%	No Commercial Value
Total:		**RMB330,000,000**		**RMB330,000,000**

VALUATION CERTIFICATE

Property Interests Held by the Group for Occupation in The PRC

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2021
1	Shanxi Technology And Business College Longcheng Campus Located at No. 99 Wucheng South Road, Xiaodian District, Taiyuan, Shanxi Province, The PRC	The property comprises 52 buildings and various ancillary structures erected on four parcels of land with a total site area of approximately 187,024.62 square metres ("**sqm**") which were completed in various stage between 2000 and 2020. As per information provided by the Group, the buildings have a total gross floor area ("**GFA**") of approximately 200,662.75 sqm, including eight academic buildings, an administration building, two ancillary buildings, four ancillary retail units, a bathroom, a boiler, a bungalow, a canteen, a canteen cum entertainment and sports hall, three guard houses, an innovation centre, a staff child care centre, two laboratory building, a library, a pavilion, a repairing workshop, a school clinic, a sport centre, a staff dormitory, 13 student dormitories, a student service centre, four training centres and a water pump room. The ancillary structures include boundary walls and roads. The land use rights of three parcels of land of the property with a total site area of approximately 98,261.11 sqm were allocated to 山西工商學院 for science and educational uses.	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for educational purposes.	RMB330,000,000 (Renminbi Three Hundred and Thirty Million) 100% Interest to be Attributable to the Group: RMB330,000,000 (Renminbi Three Hundred and Thirty Million)

Notes:

1. The property was inspected by Noah Liu *Probationer of RICS* on 18 May 2020.

2. The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.

3. Pursuant to a Collective Land Transfer Contract, dated 15 September 2002 and entered into between 山西工商學院 and 太原市小店區黃陵街道辦事處小吳村村委會, the land use rights of a portion of the property with a site area of 131.20 mu were transferred to 山西工商學院 at a consideration of RMB15,600,000.

   Pursuant to a Confirmation Letter, dated 26 September 2002 and issued by 山西工商學院, the consideration was modified to RMB15,744,000.

4. Pursuant to a Longcheng Land Contract Supplementary Agreement Four, dated 31 December 2008 and entered into between 山西工商學院 and 太原市小店區黃陵街道辦事處小吳村村委會, the land use rights of a portion of the property with a site area of 6.28 mu were transferred to 山西工商學院 at a consideration of RMB1,507,200.

5. Pursuant to a Compensation Notice of Collective Land Resumption, 並財城[2017]126號 dated 6 June 2017 and issued by 太原市財政局, a portion of the property with a site area of 3.2147 hectares was resumed at a consideration of RMB8,679,690.

6. Pursuant to a Collective Land Transfer Contract, dated 5 September 2003 and entered into between 山西工商學院 and 太原市小店區小店街道辦事處紅寺村村委會, the land use rights of a portion of the property with a site area of 105.81 mu were transfer to 山西工商學院 at a consideration of RMB6,348,600.

   Pursuant to a Land Compensation Supplementary Agreement, dated 8 January 2019 and entered into between 山西工商學院 and 太原市小店區龍城街道辦事處紅寺社區居民委員會, the site area of the portion of the property and the consideration were amended to 125.05 mu and RMB33,763,500 respectively.

   Pursuant to a Land Compensation Supplementary Agreement Two, dated 9 May 2020 and entered into between 山西工商學院 and 太原市小店區龍城街道辦事處紅寺社區居民委員會, the site area of that portion of the property was further amended to 130.6485 mu subject to an additional consideration of RMB1,511,595.

7. Pursuant to a Land Resumption Notice, 小店自然(2019)7號 dated 3 September 2019 and issued by 太原市小店區自然資源局, a portion of the property with a site area of 2.496 mu was proposed to be resumed.

8. Pursuant to a Land Use Rights Transfer Contract, dated 20 November 1997 and entered into between 山西工商專修學院 and 太原市南郊經濟技術開發公司, the land use rights of a portion of the property with a site area of 58.50 mu were transferred to 山西工商專修學院 at a consideration of RMB5,557,500.

9. Pursuant to two State-owned Land Use Rights Certificates, issued by 太原市人民政府, the land use rights of two parcels of land of the property with a total site area of approximately 59,266.60 sqm were allocated to 山西工商學院 for science and educational uses.

   The details of the State-owned Land Use Rights Certificates are summarized below:

Certificate No.	**Date of Issue**	**Land Use**	**Site Area**
			(sqm)
並政地國用(2012)字第20318號	11 December 2012	Science and educational	56,944.80
並政地國用(2012)字第20319號	11 December 2012	Science and educational	2,321.80
		Total	**59,266.60**

10. As per Note 9 and 16, three parcels of land of the property with a total site area of approximately 98,261.11 sqm are allocated in nature, of which the transferability is restricted. In the course of our valuation, we have attributed no commercial value to the three parcels of land. The reference value of the three parcels of land, assuming that they are granted in nature and they can be freely transferred, as at the Valuation Date was circa RMB69,000,000.

11. As advised by the Group, the remaining parcel of land of the property with a site area of approximately 88,763.51 sqm is yet to be granted with a proper title certificate of land use rights. In the course of our valuation, we have attributed no commercial value to the remaining parcel of land. The reference value of the remaining parcel of land, assuming that it has been granted with a proper title certificate of land use rights and it can be freely transferred, as at the Valuation Date was circa RMB36,990,000.

12. Pursuant to three Construction Land Use Planning Permits, issued by 太原市南郊區城鄉建設局 and 太原市城鄉規劃局, the proposed land use of a portion of the property was approved.

The details of the Construction Land Use Planning Permits are summarized below:

Permit No.	**Date of Issue**	**Development**	**Site Area**
			(sqm)
南規選編號(97)第40號	1 December 1997	Academic	26,666.80
南規選編號(97)第41號	1 December 1997	Dormitory	12,333.40
並規許字[2010]第0165號	28 December 2010	Science and educational	61,078.86
		Total:	**100,079.06**

13. Pursuant to 22 Construction Project Planning Permits, issued by 太原市規劃局小店分局 and 太原市城鄉規劃局, the proposed development of a portion of the property was approved.

The details of the Construction Project Planning Permits are summarized below:

Permit No.	**Portion**	**Date of Issue**	**Proposed GFA**
			(sqm)
編號(99)並小店規建證第9號	Academic Building	12 May 1999	2,300.00
編號(1999)並小店規建證第96號	Academic Building	12 December 1999	7,050.00
編號(99)並小店規建證第97號	Student Dormitory No. 1	20 December 1999	4,671.00
編號(99)並小店規建證第98號	Student Dormitory No. 2	20 December 1999	1,487.00
編號(99)並小店規建證第99號	Student Dormitory No. 3	20 December 1999	4,671.00
編號(99)並小店規建證第100號	Canteen	20 December 1999	5,519.00
(2002)編號並小店規建證第27號	Student Dormitory	25 February 2003	6,447.00
(2003)編號並小店規建證第18號	Student Dormitory No. 5	25 July 2003	6,136.80
(2003)編號並小店規建證第19號	Student Dormitory No. 6	25 July 2003	10,859.89
(2002)編號並小店規建證第26號	Library	25 July 2003	8,063.91
(2002)編號並小店規建證第28號	Academic Building No. 2	25 July 2003	4,756.56
(2002)編號並小店規建證第29號	Academic Building No. 3	25 July 2003	4,765.56
並規建證新字[2011]第0086號	Student Dormitory No. 9	14 January 2011	7,543.00
並規建證新字[2011]第0087號	Student Dormitory No. 10	14 January 2011	7,304.70
並規建證新字[2011]第0089號	Student Dormitory No. 11	14 January 2011	7,537.40
並規建證新字[2011]第0079號	Training Centre	15 April 2011	7,288.47
並規建證新字[2011]第0080號	Training Centre	15 April 2011	10,500.00
並規建證新字[2011]第0081號	Laboratory Building No. 1	15 April 2011	6,970.30
並規建證新字[2011]第0082號	Laboratory Building No. 2	15 April 2011	6,970.30
並規建證新字[2011]第0083號	Academic Building No. 4	15 April 2011	13,709.93
並規建證新字[2011]第0084號	Student Dormitory No. 7	15 April 2011	7,593.67
並規建證新字[2011]第0085號	Student Dormitory No. 8	15 April 2011	7,593.67
		Total:	**149,739.16**

14. Pursuant to three Construction Project Work Commencement Permits, issued by 太原市小店區建設管理局 and 太原市住房和城鄉建設委員會, the construction of the proposed development of a portion of the property was approved to commence.

Details of the Construction Project Work Commencement Permits are listed as follows:

Permit No.	Portion	Date of Issue	Proposed GFA
			(sqm)
並建施字2003-41號	Library, Academic Building Nos. 2-3	29 July 2003	16,314.28
並建施字2003-42號	Academic Building Nos. 5-6	29 July 2003	17,023.70
140103201112280201	Academic Building Nos. 9, 10-11	8 March 2012	22,385.10
		Total:	**55,723.08**

15. Pursuant to five Construction Project Work Completion Certificates, issued by 太原市小店區建設工程質量監督站, the completion of construction of a portion of the property was certified.

Details of the Construction Project Work Completion Certificates are listed as follows:

Permit No.	Portion	Date of Issue	GFA
			(sqm)
000106	Library	25 February 2004	8,015.50
000107	Student Dormitory No. 5	25 February 2004	4,765.56
000108	Student Dormitory No. 6	25 February 2004	4,765.56
000109	Academic Building No. 5	25 February 2004	6,805.92
000110	Academic Building No. 6	25 February 2004	10,901.84
		Total:	**35,254.38**

16. Pursuant to 44 Real Estate Title Certificates issued by 太原市規劃和自然資源局, the land use rights of the portion of the property with a site area of 38,994.51 sqm and the building ownership rights of 11 buildings, including three academic buildings, a canteen cum entertainment and sports hall, a library and six student dormitories of the property with a total GFA of 67,094.63 sqm were legally vested in 山西工商學院. The land use rights were allocated for science and educational uses.

Details of the Real Estate Title Certificates are listed as follows:

Certificate No.	Date of Issue	Portion	GFA	Shared Site Area
			(sqm)	*(sqm)*
晉(2020)太原市不動產權第0097374號	31 August 2020	Academic Building No. 1	9,086.43	38,994.51
晉(2020)太原市不動產權第0097375號	31 August 2020	Level 1, Canteen	1,821.06	38,994.51
晉(2020)太原市不動產權第0097376號	31 August 2020	Level 2, Canteen	1,876.24	38,994.51
晉(2020)太原市不動產權第0097377號	31 August 2020	Level 3, Sports Hall	1,876.24	38,994.51
晉(2020)太原市不動產權第0097378號	31 August 2020	Student Dormitory No. 1	4,671.24	38,994.51

Certificate No.	Date of Issue	Portion	GFA	Shared Site Area
			(sqm)	*(sqm)*
晉(2020)太原市不動產權第0097379號	31 August 2020	Student Dormitory No. 2	1,239.50	38,994.51
晉(2020)太原市不動產權第0097380號	31 August 2020	Student Dormitory No. 3	4,671.24	38,994.51
晉(2020)太原市不動產權第0097381號	31 August 2020	Level 1, Student Dormitory No. 4	918.83	38,994.51
晉(2020)太原市不動產權第0097382號	31 August 2020	Level 2, Student Dormitory No. 4	1,132.85	38,994.51
晉(2020)太原市不動產權第0097383號	31 August 2020	Level 3, Student Dormitory No. 4	1,132.85	38,994.51
晉(2020)太原市不動產權第0097384號	31 August 2020	Level 4, Student Dormitory No. 4	1,132.85	38,994.51
晉(2020)太原市不動產權第0097385號	31 August 2020	Level 5, Student Dormitory No. 4	1,132.85	38,994.51
晉(2020)太原市不動產權第0097386號	31 August 2020	Level 6, Student Dormitory No. 4	1,132.85	38,994.51
晉(2020)太原市不動產權第0097391號	31 August 2020	Level 1, Academic Building No. 2	882.10	38,994.51
晉(2020)太原市不動產權第0097387號	31 August 2020	Level 2, Academic Building No. 2	896.26	38,994.51
晉(2020)太原市不動產權第0097388號	31 August 2020	Level 3, Academic Building No. 2	896.26	38,994.51
晉(2020)太原市不動產權第0097389號	31 August 2020	Level 4, Academic Building No. 2	896.26	38,994.51
晉(2020)太原市不動產權第0097390號	31 August 2020	Level 5, Academic Building No. 2	896.26	38,994.51
晉(2020)太原市不動產權第0097392號	31 August 2020	Level 6, Academic Building No. 2	514.10	38,994.51
晉(2020)太原市不動產權第0097393號	31 August 2020	Level 1, Academic Building No. 3	882.10	38,994.51
晉(2020)太原市不動產權第0097394號	31 August 2020	Level 2, Academic Building No. 3	896.26	38,994.51
晉(2020)太原市不動產權第0097395號	31 August 2020	Level 3, Academic Building No. 3	896.26	38,994.51
晉(2020)太原市不動產權第0097396號	31 August 2020	Level 4, Academic Building No. 3	896.26	38,994.51
晉(2020)太原市不動產權第0097397號	31 August 2020	Level 5, Academic Building No. 3	896.26	38,994.51
晉(2020)太原市不動產權第0097398號	31 August 2020	Level 6, Academic Building No. 3	514.10	38,994.51
晉(2020)太原市不動產權第0097404號	31 August 2020	Basement Level, Student Dormitory No. 5	731.37	38,994.51
晉(2020)太原市不動產權第0097405號	31 August 2020	Level 1, Student Dormitory No. 5	877.16	38,994.51
晉(2020)太原市不動產權第0097399號	31 August 2020	Level 2, Student Dormitory No. 5	911.81	38,994.51
晉(2020)太原市不動產權第0097400號	31 August 2020	Level 3, Student Dormitory No. 5	911.81	38,994.51
晉(2020)太原市不動產權第0097401號	31 August 2020	Level 4, Student Dormitory No. 5	911.81	38,994.51
晉(2020)太原市不動產權第0097402號	31 August 2020	Level 5, Student Dormitory No. 5	911.81	38,994.51
晉(2020)太原市不動產權第0097403號	31 August 2020	Level 6, Student Dormitory No. 5	911.81	38,994.51

Certificate No.	Date of Issue	Portion	GFA	Shared Site Area
			(sqm)	*(sqm)*
晉(2020)太原市不動產權第0097411號	31 August 2020	Basement Level, Student Dormitory No. 6	1,349.34	38,994.51
晉(2020)太原市不動產權第0097412號	31 August 2020	Level 1, Student Dormitory No. 6	1,486.66	38,994.51
晉(2020)太原市不動產權第0097406號	31 August 2020	Level 2, Student Dormitory No. 6	1,610.82	38,994.51
晉(2020)太原市不動產權第0097407號	31 August 2020	Level 3, Student Dormitory No. 6	1,610.82	38,994.51
晉(2020)太原市不動產權第0097408號	31 August 2020	Level 4, Student Dormitory No. 6	1,610.82	38,994.51
晉(2020)太原市不動產權第0097409號	31 August 2020	Level 5, Student Dormitory No. 6	1,610.82	38,994.51
晉(2020)太原市不動產權第0097410號	31 August 2020	Level 6, Student Dormitory No. 6	1,610.82	38,994.51
晉(2020)太原市不動產權第0097413號	31 August 2020	Basement, Library	1,634.73	38,994.51
晉(2020)太原市不動產權第0097414號	31 August 2020	Level 1, Library	1,629.29	38,994.51
晉(2020)太原市不動產權第0097415號	31 August 2020	Level 2, Library	1,398.51	38,994.51
晉(2020)太原市不動產權第0097416號	31 August 2020	Level 3, Library	1,382.20	38,994.51
晉(2020)太原市不動產權第0097417號	31 August 2020	Levels 4 & 5, Library	2,204.71	38,994.51
			67,094.63	**38,994.51**

17. Pursuant to eight Building Ownership Certificates, issued by 太原市房地產管理局, the building ownership rights of eight buildings, including an academic buildings, an administration building, two laboratory buildings, a staff dormitory, two student dormitories and a training centre of the property with a total GFA of approximately 66,308.00 sqm were legally vested in 山西工商學院.

The details of the Building Ownership Certificates are summarized below:

Building Ownership Certificate No.	Portion	Date of Issue	GFA
			(sqm)
晉房權證並字第D201100754號	Academic Building No. 4	16 January 2011	13,414.49
晉房權證並字第D201100755號	Administration Building	16 January 2011	7,339.07
晉房權證並字第D201100756號	Laboratory Building East	16 January 2011	6,802.62
晉房權證並字第D201100757號	Student Dormitory No. 7	16 January 2011	7,569.20
晉房權證並字第D201100758號	Student Dormitory No. 8	16 January 2011	7,569.20
晉房權證並字第D201100759號	Staff Dormitory	16 January 2011	6,642.92
晉房權證並字第D201100760號	Laboratory Building West	16 January 2011	6,802.62
晉房權證並字第D201100761號	Training Centre	16 January 2011	10,167.88
		Total	**66,308.00**

18. As advised by the Group, 33 buildings of the property with a total GFA of approximately 67,260.12 sqm, including four academic buildings, two ancillary buildings, four ancillary retail units, a bathroom, a boiler, a bungalow, a canteen, three guard houses, an innovation centre, a staff child care centre, a pavilion, a school clinic, a sport centre, five student dormitories, a student services centre, a repairing workshop, three training centres and a water pump room, are yet to be granted with proper title certificates of building ownership rights. In the course of our valuation, we have attributed no commercial value to the 33 buildings. The reference value of the 33 buildings, assuming that they have been granted with proper title certificates of building ownership rights and they can be freely transferred, as at the Valuation Date was circa RMB163,000,000.

19. Pursuant to a Construction Project Site Selection Proposal, 並規選字(2010)第0150號 dated 31 October 2010 and issued by 太原市城鄉規劃局, the proposed development of a portion of the property was approved.

The salient conditions of the Construction Project Site Selection Proposal are summarized below:

Project Name	:	山西工商職業學院東校區建設工程
Site Area	:	136,945.00 sqm
Maximum Plot Ratio	:	2.0
Maximum Building Density	:	25%
Maximum Greenery Ratio	:	40%
Usage	:	Educational

20. The general description and market information of the property are summarized below:

Location	:	The property is located at No. 99 Wucheng South Road, Xiaodian District, Taiyuan, Shanxi Province, The PRC.
Transportation	:	Taiyuan Wusu International Airport, Taiyuan South Railway Station and Taiyuan Railway Station are located approximately 7.2 kilometres, 4.8 kilometres and 13.9 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Xiaodian District.

21. We have been provided with a legal opinion regarding the property by Commerce & Finance Law Offices, which contains, inter alia, the following:

(a) 山西工商學院 has obtained the land use rights and the relevant certificates for the land as stated at Note 9 and 16, and can occupy and use the land in accordance with laws and the planned uses;

(b) 山西工商學院 has obtained the building ownership rights and the relevant certificates of the buildings as stated at Note 16 and Note 17, and can occupy and use the buildings in accordance with laws and the planned uses;

(c) In accordance with laws, the facilities of charitable and non-profit-making corporations, including schools cannot be mortgaged, and therefore the land use rights and building ownership rights of the property are not subject to a mortgage.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Occupancy Particulars	Market Value as at 31 March 2021
2	Shanxi Technology And Business College Beige Campus Located at Beige Village North Road, Beige Village, Xiaodian District, Taiyuan, Shanxi Province, The PRC	The property comprises 29 buildings and various ancillary structures erected on three parcels of land with a total site area of approximately 294,479.77 sqm which were completed in various stage between 2014 and 2020. As per information provided by the Group, the buildings have a total GFA of approximately 176,892.99 sqm, including two academic buildings, an administration building, an ancillary building, two ancillary retail units, a bathroom, a boiler, a canteen, a fire pump room, three laboratory buildings, a physical training centre, a pump room, two staff dormitories, nine student dormitories, a technology building, a pioneer park and a workshop. The structures mainly include boundary walls and roads. The land use rights of a parcel of land of the property with a site area of approximately 258,439.44 sqm were allocated to 山西工商學院 for science and educational uses.	As per our on-site inspection and the information provided by the Group, the property is currently occupied by the Group for educational purposes.	No commercial value 100% Interest to be Attributable to the Group: No commercial value

Notes:

1. The property was inspected by Noah Liu *Probationer of RICS* on 18 May 2020.

2. The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.

3. Pursuant to a Land Compensation Agreement, dated 18 June 2009 and entered into between 山西工商職業學院 and 太原市小店區北格鎮北格村村委會, the land use rights of a portion of the property with a site area of 404.66 mu were transferred to 山西工商職業學院 at a consideration of RMB33,182,120.

4. Pursuant to a Land Compensation Contract, dated 18 June 2009 and entered into between 山西工商職業學院 and 太原市小店區北格鎮北格村村委會, the land use rights of the Property with a site area of 17.10 mu were transferred to 山西工商職業學院 at a consideration of RMB2,752,500.

5. Pursuant to a Land Compensation Contract Transfer Contract, dated 20 May 2011 and entered into between 山西工商職業學院 and 太原市小店區教育局, the land use rights of a portion of the property with a site area of 43.96 mu were transferred to 山西工商職業學院 at a consideration of RMB6,187,433.

   Pursuant to a Project Compensation Agreement of Xiaohe Industrial Zone of Xiaodian District, dated 23 August 2018 between 山西工商學院 and 北格鎮人民政府, 北格鎮人民政府 resumed 7.00 mu of the portion of the property with the site area of 43.96 mu at a consideration of RMB964,887.

6. Pursuant to a State-owned Land Use Rights Certificate, 並政地國用(2013)字第20190號 dated 18 October 2013 and issued by 太原市人民政府, the land use rights of a parcel of land of the property with a site area of approximately 258,439.44 sqm were allocated to 山西工商學院 for science and educational uses.

7. As per Note 6, a parcel of land of the property with a site area of approximately 258,439.44 sqm is allocated in nature, of which the transferability is restricted. In the course of our valuation, we have attributed no commercial value to the parcel of land. The reference value of the parcel of land, assuming that it is granted in nature and it can be freely transferred, as at the Valuation Date was circa RMB169,000,000.

8. As advised by the Group, the remaining two parcels of land of the property with a total site area of approximately 36,040.33 sqm are yet to be granted with proper title certificates of land use rights. In the course of our valuation, we have attributed no commercial value to the two parcels of land. The reference value of the two parcels of land, assuming that they have been granted with proper title certificates of land use rights and they can be freely transferred, as at the Valuation Date was circa RMB11,900,000.

9. As advised by the Group, 29 buildings of the property with a total GFA of approximately 176,892.99 sqm, including two academic buildings, an administration building, an ancillary building, two ancillary retail units, a bathroom, a boiler, a canteen, a fire pump room, three laboratory buildings, a physical training centre, a pump room, two staff dormitories, nine student dormitories, a technology building, a pioneer park and a workshop, are yet to be granted with proper title certificates of building ownership rights. In the course of our valuation, we have attributed no commercial value to the 29 buildings. The reference value of the 29 buildings, assuming that they have been granted with proper title certificates of building ownership rights and they can be freely transferred, as at the Valuation Date was circa RMB483,000,000.

10. Pursuant to a Construction Land Use Planning Permit, 並規許字(2012)第0071號 dated 13 February 2012 and issued by 太原市城鄉規劃局, the proposed land use of a portion of the property with a site area of approximately 270,304.84 sqm was approved.

11. Pursuant to 11 Construction Project Planning Permits, issued by 太原市城鄉規劃局 and 太原市城鄉規劃局山西轉型綜合改革示範區分局, the proposed development of a portion of the property was approved.

Details of the Construction Project Planning Permits are listed as follows:

Permit No.	**Portion**	**Date of Issue**	**Proposed GFA**
			(sqm)
並規建證新字[2016]第0446號	Academic Building No. 1	19 September 2015	40,588.40
並規建證新字[2016]第0447號	Student Dormitory Nos. 5-6	19 September 2015	17,177.13
並規建證新字[2016]第0448號	Student Dormitory No. 18, South Zone	19 September 2015	3,945.21
並規建證新字[2016]第0449號	Student Dormitory Nos. 9-10	19 September 2015	17,177.13
並規建證新字[2016]第0450號	Student Dormitory Nos. 11-12	19 September 2015	15,910.32
並規建證新字[2016]第0451號	Canteen, Multi-purposes	19 September 2015	13,235.62
並規建證新字[2016]第0452號	Laboratory Building No. 21	15 April 2016	8,183.44
並規建證新字[2016]第0453號	Technology Building No. 20	15 April 2016	9,454.25
並規建證新字[2017]第1023號	Student Dormitory No. 19	6 September 2017	4,249.88
並規建證新字[2017]第1074號	Student Dormitory Nos. 7-8	25 October 2017	17,177.13
建字140105201839005號、並規綜示建字[2018]第0005號	Student Dormitory Nos. 3-4	5 February 2018	17,177.13
		Total:	**164,275.64**

12. Pursuant to 10 Construction Project Work Commencement Permits, issued by 太原市住房和城鄉建設委員會, the construction of the proposed development of a portion of the property was approved to commence.

Details of the Construction Project Work Commencement Permits are listed as follows:

Permit No.	**Portion**	**Date of Issue**	**Proposed GFA**
			(sqm)
140103201611021201	Technology Building No. 20	2 November 2016	9,454.25
140103201611021301	Laboratory Building No. 21	2 November 2016	8,183.44
140103201612140101	Academic Building No. 1	14 December 2016	40,588.40
140103201612140201	Student Dormitory No. 18, South Zone	14 December 2016	3,945.21
140103201612140301	Student Dormitory Nos. 5-6	14 December 2016	17,177.13
140103201612140401	Student Dormitory Nos. 9-10	14 December 2016	17,177.13
140103201612140501	Student Dormitory Nos. 11-12	14 December 2016	15,910.32
140103201612140601	Canteen	14 December 2016	13,235.62
140103201807310101	Student Dormitory Nos. 7-8	31 July 2018	17,177.13
140103201807310201	Student Dormitory No. 19	31 July 2018	4,249.88
		Total:	**129,921.38**

13. Pursuant to a Construction Project Selection Proposal, 並規選字(2012)第0055號 dated 2 July 2012 and issued by 太原市城鄉規劃局, the proposed development of a portion of the property was approved.

The salient conditions of the Construction Project Site Selection Proposal are summarized below:

Project Name	:	山西工商學院南校區建設
Site Area	:	331,095.73 sqm
Plot Ratio	:	Not more than 1.1
Building Density	:	Not more than 25%
Greenery Ratio	:	Not less than 35%
Usage	:	Educational

14. The general description and market information of the property are summarized below:

Location	:	The property is located at Beige Village North Road, Beige Village, Xiaodian District, Taiyuan, Shanxi Province, The PRC.
Transportation	:	Taiyuan Wusu International Airport, Taiyuan South Railway Station and Taiyuan Railway Station are located approximately 23.6 kilometres, 23.8 kilometres and 26.2 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a residential area in Xiaodian District.

15. We have been provided with a legal opinion regarding the property by Commerce & Finance Law Offices, which contains, inter alia, the following:

(a) 山西工商學院 has obtained the land use rights and the relevant certificates of the land as stated at Note 6, and can occupy and use the land in accordance with laws and the planned uses;

(b) In accordance with laws, the facilities of charitable and non-profit-making corporations, including schools cannot be mortgaged, and therefore the land use rights of the property are not subject to a mortgage.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 14, 2018 under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its [Amended and Restated] Memorandum of Association (the "**Memorandum**") and its [Amended and Restated] Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were [conditionally] adopted on [●] with effect from the [**REDACTED**]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are [**REDACTED**] on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A

Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are [**REDACTED**] on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on September 14, 2018. Our Company [has been] registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] and our Company's principal place of business in Hong Kong is at Unit A1 of Unit A, 11/F, Success Commercial Building, 245-251 Hennessy Road, Hong Kong. Mr. Zhang Senquan (張森泉) of Flat B, 22F, Tower 16, Pacific Palisades, No.1 Braemar Hill Road, North Point, Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises the Articles of Association. A summary of the relevant aspects of the Companies Act and certain provisions of Articles of Association is set out in Appendix IV to this document.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorized share capital of our Company was US$50,000 divided into 5,000,000,000 shares with par value of US$0.00001 each. At the time of incorporation, the issued share capital of our Company was US$0.00001, with one Share of US$0.00001 and held by the initial subscriber, an Independent Third Party. On the same date, the said one Share was transferred to Niusanping Limited for a consideration at par value, and another one Share was issued and allotted by the Company to Niujian Limited for cash at par.

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the authorized share capital of our Company will be US$[50,000] divided into [5,000,000,000] Shares, of which [**REDACTED**] Shares will be issued fully paid or credited as fully paid, and [**REDACTED**] Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to "A. Further Information about our Company — 4. Written resolutions of the then shareholders of our Company passed on [●], 2021" in this appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

3. Changes in share capital of our subsidiaries and PRC Affiliated Entities

The following alterations in the share capital or registered capital of our subsidiaries and PRC Affiliated Entities took place within the two years immediately preceding the date of this document:

China General Education (HK)

On November 7, 2018, China General Education (HK) was incorporated as a limited company under the laws of Hong Kong. At the time of incorporation, one founder share was issued to our Company at a subscription price of HK$1 per share. As of the Latest Practicable Date, China General Education (HK) was wholly-owned by our Company.

Shanxi WFOE

On June 24, 2019, Shanxi WFOE was established in the PRC as a wholly foreign owned enterprise with a registered capital of RMB50 million, and has been wholly-owned by China General Education (HK) since its establishment.

Shanxi Tongcai

Shanxi Tongcai was established on May 17, 2018 with an initial registered capital of RMB1 million as a limited liability company under the laws of the PRC.

On May 13, 2019, the registered capital of Shanxi Tongcai was increased from RMB1 million to RMB20 million, and was further increased to RMB50 million on May 15, 2019.

Shanxi Technology & Business

Shanxi Technology & Business was established on August 22, 2006 with an initial registered capital of RMB72,777,700 as a private non-enterprise unit under the laws of the PRC.

On April 23, 2021, the registered capital of Shanxi Technology & Business was changed from RMB72,777,700 to RMB80,000,000.

Save as disclosed above, there has been no alteration in the share capital or registered capital of the subsidiaries and PRC Affiliated Entities of our Company within the two years preceding the date of this document.

4. Written resolutions of the then shareholders of our Company passed on [●], 2021

Pursuant to the written resolutions of the then shareholders of our Company entitled to vote at general meetings of our Company, which were passed on [●], 2021:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) conditional upon (i) the Listing Committee of the Stock Exchange granting the [**REDACTED**] of, and permission to [**REDACTED**], on the Main Board, our Shares in issue and to be issued (pursuant to the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] and the Share Option Scheme) as mentioned in this document; and (ii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the [**REDACTED**] (on behalf of the [**REDACTED**]) and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise:

   (i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], the sum of US$[**REDACTED**] be capitalized and applied in paying up in full at par value [**REDACTED**] Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the [**REDACTED**] and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;

(iii) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to allot and issue the [**REDACTED**] and the Shares as may be required to be allotted and issued upon the exercise of the [**REDACTED**] on and subject to the terms and conditions stated in this document and in the relevant [**REDACTED**] and the Directors be authorized to do all things and execute all documents in connection with or incidental to the [**REDACTED**] with such amendments or modification (if any) as the Directors may consider necessary or appropriate;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but before any exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but before the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company; and

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(v) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but before the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme be and is approved.

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this document concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then shareholders of our Company passed on [●], 2021, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be [**REDACTED**] on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the [**REDACTED**] (excluding Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Further information about our Company — 4. Written resolutions of the then shareholders of our Company passed on [●], 2021" in this appendix to this document.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Act. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the [**REDACTED**], our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure — Corporate Reorganization" in this document for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

(1) a business cooperation agreement dated November 12, 2020 entered into by and among Shanxi WFOE, our PRC Affiliated Entities, Mr. Niu Sanping and Mr. Niu Jian pursuant to which Shanxi WFOE agreed to provide, among other things, technical service, management support service and consultancy service necessary for conducting private education activities to our PRC Affiliated Entities and, as consideration, PRC Affiliated Entities shall pay service fees to Shanxi WFOE;

(2) an exclusive technical service and management consultancy agreement dated November 12, 2020 and entered into by and among Shanxi WFOE and our PRC Affiliated Entities, pursuant to which Shanxi WFOE agreed to provide, among other things, exclusive technical service, management support service and consultancy service to our PRC Affiliated Entities, and as consideration, our PRC Affiliated Entities agreed to pay service fees to Shanxi WFOE;

(3) an exclusive call option agreement dated November 12, 2020 and entered into by and among Shanxi WFOE, our PRC Affiliated Entities, Mr. Niu Sanping and Mr. Niu Jian, pursuant to which each of Mr. Niu Sanping and Mr. Niu Jian unconditionally and irrevocably granted Shanxi WFOE or its designated purchaser an exclusive option to purchase all or part of his direct or indirect interest in our PRC Affiliated Entities at the lowest price permitted under the PRC laws and regulations;

(4) a shareholders' rights entrustment agreement dated November 12, 2020 and entered into by and among Mr. Niu Sanping, Mr. Niu Jian, Shanxi Tongcai and Shanxi WFOE, pursuant to which each of Mr. Niu Sanping and Mr. Niu Jian irrevocably, unconditionally and exclusively authorized and entrusted Shanxi WFOE or its designated person to exercise all his rights as a shareholder of Shanxi Tongcai to the extent permitted by the PRC laws;

(5) a shareholder's power of attorney dated November 12, 2020 and executed by Mr. Niu Sanping appointing Shanxi WFOE or its designated person as his appointee to exercise all his shareholder's rights in Shanxi Tongcai;

(6) a shareholder's power of attorney dated November 12, 2020 and executed by Mr. Niu Jian appointing Shanxi WFOE or its designated person as his appointee to exercise all his shareholder's rights in Shanxi Tongcai;

(7) a school sponsor's and directors' rights entrustment agreement dated November 12, 2020 and entered into by and among Shanxi WFOE, Shanxi Tongcai (as the school sponsor of Shanxi Technology & Business), Mr. Niu Sanping, Mr. Niu Jian, Mr. Zhang Zhiwei, Mr. Zhu Tianyan (朱天燕) and Mr. Zhang Yanying (張彥穎) (as school directors of Shanxi Technology & Business) and Shanxi Technology & Business, pursuant to which (i) Shangxi Tongcai unconditionally and irrevocably authorized and entrusted Shanxi WFOE or its designated person to exercise all its rights as the school sponsor of Shanxi Technology & Business to the extent permitted by the PRC laws, and (ii) each of Mr. Niu Sanping, Mr. Niu Jian, Mr. Zhang Zhiwei, Mr. Zhu Tianyan and Mr. Zhang Yanying unconditionally and irrevocably authorized and entrusted Shanxi WFOE or its designated person to exercise all his/her rights as a school director of Shanxi Technology & Business to the extent permitted by the PRC laws;

(8) a school sponsor's power of attorney dated November 12, 2020 and executed by Shanxi Tongxai appointing Shanxi WFOE or its designated person as its appointee to exercise all its school sponsor's rights in Shanxi Technology & Business;

(9) a school directors' power of attorney dated November 12, 2020 and executed by each of Mr. Niu Sanping, Mr. Niu Jian, Mr. Zhang Zhiwei, Mr. Zhu Tianyan and Mr. Zhang Yanying appointing Shanxi WFOE or its designated person as his/her appointee to exercise all his/her director's rights in Shanxi Technology & Business;

(10) an equity pledge agreement dated November 12, 2020 and entered into by and among Mr. Niu Sanping, Mr. Niu Jian, Shanxi Tongcai and Shanxi WFOE, pursuant to which Mr. Niu Sanping and Mr. Niu Jian unconditionally and irrevocably agreed to pledge and grant first priority security interest over all of the equity interest in Shanxi Tongcai together with all related rights thereto to Shanxi WFOE for the purpose of securing the performance of the contractual obligations of Mr. Niu Sanping, Mr. Niu Jian, Shanxi Tongcai and Shanxi Technology & Business under the Contractual Arrangements;

(11) a spouse undertaking dated November 12, 2020 executed by Ms. Geng Jie, the spouse of Mr. Niu Sanping, in favor of Shanxi WFOE, irrevocably acknowledging and consenting the signing of the Contractual Arrangements by Mr. Niu Sanping;

(12) the Deed of Indemnity; and

(13) the [**REDACTED**].

2. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, we have registered the following trademark which, in the opinion of our Directors, is material to our business:

No.	Trademark	Registered owner	Place of registration	Class[(1)]	Registration number	Expiry date
1		Shanxi Technology & Business	PRC	41	23446001	March 27, 2028

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Registrant	Domain name	Date of registration	Expiry date
1.	Shanxi Technology & Business	sxtbu.net	February 11, 2002	February 11, 2026
2.	Shanxi WFOE	chinageg.cn	July 21, 2020	July 21, 2021

3. Further information about our PRC establishments

Shanxi WFOE

(i)	nature of the company	:	limited liability company (wholly foreign owned enterprise)
(ii)	date of establishment	:	June 24, 2019
(iii)	term of business operation	:	June 24, 2019 to June 19, 2049

(iv)	registered capital	:	RMB50 million
(v)	paid-up capital	:	Nil
(vi)	attributable interest of the company	:	100%
(vii)	scope of business	:	Computer software technology development, technology transfer, technology consulting, technology services; computer information technology consulting; education information consulting (excluding all kinds of training and training consulting); enterprise management (excluding investment and asset management) consulting; enterprise marketing planning; education software research and development, sales, maintenance; sales and rental of education equipment; conference services; undertake exhibitions. For projects that require prior approval according to law, related business activities can only be carried out after approved by the relevant department.

Shanxi Tongcai

(i)	nature of the company	:	limited liability company
(ii)	date of establishment	:	May 17, 2018
(iii)	term of business operation	:	May 17, 2018 to May 16, 2038
(iv)	registered capital	:	RMB50 million
(v)	paid-up capital	:	RMB10.5 million
(vi)	attributable interest of the company	:	100%

(vii)	scope of business	:	Computer software and hardware technology development, technology transfer, technology consulting, technology promotion and technical services; education consulting (excluding school entrance and vocational skills training); business management consulting; sales of daily necessities, office supplies, sports goods; undertake exhibition activities. For projects that require prior approval according to law, related business activities can only be carried out after approved by the relevant department.

Shanxi Technology & Business

(i)	nature of the company	:	private non-enterprise unit
(ii)	date of establishment	:	August 22, 2006
(iii)	term of business operation	:	April 23, 2021 to April 23, 2025
(iv)	registered capital	:	RMB80,000,000
(v)	paid-up capital	:	RMB80,000,000
(vi)	attributable interest of the company	:	100%
(vii)	scope of business	:	full-time undergraduate degree level education, junior college degree level higher vocational education, adult education

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors [has entered] into a service contract with us for an initial fixed term of [three] years commencing from the [**REDACTED**] and will continue thereafter until terminated by not less than [three] months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors [has entered] into a letter of appointment with us for an initial fixed term of [one] year commencing from the [**REDACTED**] and will continue thereafter until terminated by not less than [three] months' notice in writing served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB1.7 million, RMB1.8 million, RMB1.7 million and RMB0.6 million, respectively.

Save as disclosed in Note 7 to the Accountant's Report in Appendix I to this document, no other emoluments have been paid or are payable, in respect of the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending August 31, 2021 will be approximately RMB3.4 million.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the [**REDACTED**] *and the* [**REDACTED**]

As of the Latest Practicable Date and immediately following completion of the [**REDACTED**] and the [**REDACTED**] and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the [**REDACTED**], the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

(i) Long position in our Company

		Immediately after the [REDACTED] and the [REDACTED](1)	
Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. Niu Sanping	Interest in a controlled corporation(2)	[**REDACTED**]	[**REDACTED**]%
Mr. Niu Jian	Interest in a controlled corporation(3)	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares in issue after the completion of the [**REDACTED**] and immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) Mr. Niu Sanping is the sole shareholder of Niusanping Limited and, by virtue of the SFO, he is therefore deemed to be interested in the Shares held by Niusanping Limited upon [**REDACTED**].

(3) Mr. Niu Jian is the sole shareholder of Niujian Limited and, by virtue of the SFO, he is therefore deemed to be interested in the Shares held by Niujian Limited upon [**REDACTED**].

(ii) Long position in associated corporations

Shanxi Tongcai

		As of the Latest Practicable Date and immediately after the [REDACTED] and the [REDACTED]	
Name	**Capacity/ Nature of interest**	**Amount of registered capital**	**Approximate percentage of shareholding**
Mr. Niu Sanping	Beneficial owner	RMB35,500,000	71%
Mr. Niu Jian	Beneficial owner	RMB14,500,000	29%

Shanxi Technology & Business

		As of the Latest Practicable Date and immediately after the [REDACTED] and the [REDACTED]	
Name	**Capacity/ Nature of interest**	**Amount of registered capital**	**Approximate percentage of shareholding**
Mr. Niu Sanping	Interest in a controlled corporation[1]	RMB80,000,000	100%

Note:

(1) Mr. Niu Sanping is interested in 71% of Shanxi Tongcai which is the sole school sponsor of Shanxi Technology & Business.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of the Latest Practicable Date and immediately following completion of the [**REDACTED**] and the [**REDACTED**] and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the [**REDACTED**], so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) *Interests and short positions in our Shares and underlying Shares of our Company:*

Long position in our Company

		Immediately after the [REDACTED] and the [REDACTED][(1)]	
Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Niusanping Limited	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Niujian Limited	Beneficial owner	[**REDACTED**]	[**REDACTED**]%

Note:

(1) The calculation is based on the total number of [**REDACTED**] Shares in issue after the completion of the [**REDACTED**] and immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

2. Disclaimers

(a) save as disclosed in "— 1. Disclosure of interests" above, our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account Shares which may be issued upon the exercise of the [**REDACTED**] or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) save as disclosed in "— 1. Disclosure of interests" above, none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are [**REDACTED**];

(c) none of our Directors nor any of the parties listed in "G. Other Information — 10. Consents of experts" in this appendix to this document is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) save as disclosed in the section headed "Contractual Arrangements" and sub-section headed "C. Further Information about Our Business — 1. Summary of the material contracts" in this appendix to this document, none of our Directors nor any of the parties listed in "G. Other Information — 10. Consents of experts" in this appendix to this document is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(e) save in connection with the [**REDACTED**], none of the parties listed in "G. Other Information — 10. Consents of experts" in this appendix to this document:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries; and

(f) save as disclosed in the section headed "Business — Customers and Suppliers — Independence of our Top Five Suppliers" in this document, none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholders of our Company passed on [●] and adopted by a resolution of the Board on [●] (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options ("**Options**") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("**Executive**"), any full time or part time employee, or a person for the time being seconded to work full time or part time for any member of our Group;

(b) a director or proposed director (including an independent non-executive director) of any member of our Group; and

(c) any other person involved in the development, promotion or growth of business of the Company (excluding, for the avoidance of doubt, any suppliers or customers of the Company) whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the "**Eligible Persons**").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the [**REDACTED**] (such 10% limit representing [**REDACTED**] Shares) excluding Shares which may fall to be issued upon the exercise of the [**REDACTED**] granted by our Company (the "**Scheme Mandate Limit**") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participants

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in the Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the grantee at any time during the Option Period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the Option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily winding-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme — 11. Exercise of Option" in this appendix to this document, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the Share Option Scheme with respect to the exercise of the Option; or

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a [**REDACTED**]), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a [**REDACTED**], the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Cancelation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancelation Date**"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiaries.

The Option shall be deemed to have been cancelled with effect from the Cancelation Date in respect of any part of the Option which has not been exercised as at the Cancelation Date. No compensation shall be payable upon any such cancelation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to- day running of the Share Option Scheme; and

(d) any alteration to the aforesaid alteration provisions;

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) the approval of our Shareholders for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the [**REDACTED**] of and permission to [**REDACTED**], a maximum of [**REDACTED**] Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(c) the commencement of [**REDACTED**] our Shares on the Stock Exchange; and

(d) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith terminate;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the [**REDACTED**] of [**REDACTED**] Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Mr. Niu Sanping and Niusanping Limited [have entered] into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the [**REDACTED**] or any event on transaction on or before [**REDACTED**] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under the Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this document or in the audited accounts of the relevant members of our Group for the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020 (the "**Accounts**"); or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after December 31, 2020 up to and including the [**REDACTED**] or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the [**REDACTED**] or to the extent such claim arises or is increased by an increase in the rates of taxation after the [**REDACTED**] with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), costs, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business — Legal Proceedings and Non-compliance" in this document.

2. Litigation

As of the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately RMB34,800 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the [**REDACTED**] Committee of the Stock Exchange for [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue as mentioned herein, the Shares to be issued pursuant to the [**REDACTED**] and the [**REDACTED**] and any Shares falling to be issued pursuant to the exercise of the [**REDACTED**], and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into [**REDACTED**]. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of [**REDACTED**] million to act as sponsor to our Company in the [**REDACTED**].

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since December 31, 2020 (being the date to which our latest consolidated financial statements were made up).

7. Binding effect

[**REDACTED**]

8. Miscellaneous

(1) Save as disclosed in the section headed "History and Corporate Structure" and sub-section headed "A. Further Information about Our Company" in this appendix to this document, within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(2) Save as disclosed in the section headed "Structure of The [**REDACTED**] — [**REDACTED**]" and sub-section headed "— F. Share Option Scheme" in this appendix to this document, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(3) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares.

(4) Within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group.

(5) Within the two years preceding the date of this document, no commission has been paid or payable (except commissions to the [**REDACTED**]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company.

(6) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any [**REDACTED**] or permission to deal being or proposed to be sought.

(7) We have no outstanding convertible debt securities.

(8) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this document.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
Guotai Junan Capital Limited	A corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditor
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	PRC legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Vincorn Consulting and Appraisal Limited	Independent property valuer

10. Consents of experts

Each of the experts named in the section headed "— G. Other information — 9. Qualifications of experts" in this appendix to this document has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual [REDACTED]

[**REDACTED**]

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were copies of the [**REDACTED**], the written consents referred to "G. Other Information — 10. Consents of experts" in Appendix V to this document and copies of the material contracts referred to "C. Further Information about Our Business — 1. Summary of the material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this document:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report from Ernst & Young, the texts of which are set out in Appendix I to this document;

(3) the audited financial statements of our Group for each of the three years ended August 31, 2018, 2019 and 2020 and the four months ended December 31, 2020;

(4) the report received from Ernst & Young on unaudited [**REDACTED**] financial information, the texts of which are set out in Appendix II to this document;

(5) the letter, summary of values and valuation certificates relating to our property interests prepared by Vincorn Consulting and Appraisal Limited, the texts of which are set out in Appendix III to this document;

(6) the material contracts referred to "C. Further Information about our business — 1. Summary of the material contracts" in Appendix V to this document;

(7) the service contracts and letters of appointment with Directors, referred to "D. Further Information about our Directors — 1. Directors' service contracts and letters of appointment" in Appendix V to this document;

(8) the written consents referred to "G. Other Information — 10. Consents of experts" in Appendix V to this document;

(9) the PRC legal opinions prepared by Commerce & Finance Law Offices, our legal advisors as to PRC law, in respect of certain aspects of our Group and our property interests;

(10) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Companies Law referred to in Appendix IV to this document;

(11) the industry report prepared by Frost & Sullivan;

(12) the Companies Act; and

(13) the rules of the Share Option Scheme.