Your attention should be drawn to the fact that the obtaining of control of Baiyun Technician College by our Group was completed in August 2017 after the Track Record Period, and therefore the operation results and financial position of Baiyun Technician College during the Track Record Period were not consolidated into the operation results and financial position of our Group. Therefore, unless otherwise indicated, the financial information of our Group presented and discussed in this section does not reflect the financial information of Baiyun Technician College. For discussion and analysis of financial information of Baiyun Technician College, see the subsection headed "– Financial Information of Baiyun Technician College."

You should read the following discussion and analysis with the audited consolidated financial information of our Group, including the notes thereto, included in the Accountants' Report in Appendix IA, and the audited consolidated financial information of Baiyun Technician College, including the notes thereto, included in the Accountants' Report in Appendix IB. The consolidated financial information of our Group and the consolidated financial information of Baiyun Technician College have been prepared in accordance with the IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis may 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 developments, 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 section headed "Risk Factors."

For the purpose of this section, unless the context otherwise requires, references to student enrolments in the 2013/2014, 2014/2015 and 2015/2016 school years refer to the student enrolments as of 31 August 2014, 2015 and 2016, respectively, based on the internal records of our schools. Unless otherwise indicated, references to the financial information of our Group refer to financial information of the continuing operations of our Group. For the financial information of the discontinued operations of our Group, see Note 11 to the Accountants' Report in Appendix IA.

OVERVIEW

We are a leading large scale private higher education group in China, operating a list of well-recognised private higher education institutions. We focus on offering high quality education through innovation. During the Track Record Period, we operated two schools, namely Jiangxi University of Technology located in Nanchang, Jiangxi province and Guangdong Baiyun University located in Guangzhou, Guangdong province. After the Track Record Period, on 14 August 2017, we obtained control of Baiyun Technician College located in Guangzhou, Guangdong province, subsequent to which, our Group began to operate a total of three schools. According to the Frost & Sullivan Report, our Group is recognised as one of the leading players in private higher education market in China in terms of student enrolment in 2016. Each of our three schools has been recognised top rankings in terms of competitive strengths. As of 31 August 2017, we enrolled a total of 75,255 students with 35,982 students enrolled by Jiangxi University of Technology, 25,741 students enrolled by Guangdong Baiyun University and 13,532 students enrolled by Baiyun Technician College. We believe, building upon our large scale, extensive experience and advanced group operation model, we will be able to capitalise on the future growth and consolidation of the fragmented private higher education industry in China.

Operating Results of Our Group Comprising Two Universities during the Track Record Period

Our Group experienced steady growth in our revenue, net profit from continuing operations and Adjusted Net Profit, which is unaudited in nature, over the Track Record Period. The following table presents the revenue, net profit from continuing operations and the Adjusted Net Profit of our Group (comprising of Jiangxi University of Technology and Guangdong Baiyun University) for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	821,934	846,016	861,289	417,976	405,375
Net profit from continuing operations	309,426	361,901	423,351	217,416	193,013
Adjusted Net Profit[(1)]	308,335	356,400	409,232	211,129	195,038

Note:

(1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period from continuing operations excluding the effects of imputed interest income arising from amount due from Directors, imputed interest income arising from an amount due from a related party and the listing expenses. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items, namely imputed interest income and listing expenses. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See "– Non-IFRS Measure". The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from continuing operations:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from an amount due from a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	308,335	356,400	409,232	211,129	195,038

Our revenue increased from RMB821.9 million for the year ended 31 December 2014 to RMB861.3 million for the year ended 31 December 2016, representing a CAGR of 2.4%. Our net profit from continuing operations increased from RMB309.4 million for the year ended 31 December 2014 to RMB423.4 million for the year ended 31 December 2016, representing a CAGR of 17.0%. Our Adjusted Net Profit increased from RMB308.3 million for the year ended 31 December 2014 to RMB409.2 million for the year ended 31 December 2016, representing a CAGR of 15.2%. For more information of our Adjusted Net Profit, see the section headed "– Financial Information of Our Group Comprising Two Schools During the Track Record Period – Non-IFRS Measure."

Operating Results of Baiyun Technician College during the Track Record Period

We obtained control of Baiyun Technician College on 14 August 2017. The following table presents the revenue, net profit and adjusted net profit, which is unaudited in nature, of Baiyun Technician College for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	151,745	163,778	179,566	88,647	89,762
Net profit	10,885	15,962	14,363	15,680	36,265
Adjusted net profit(1)	9,610	13,182	10,561	13,861	34,207

Note:

(1) Adjusted net profit represents profit for the year/period excluding the effects of imputed interest income arising from amount due from Directors. Adjusted net profit is not a measure of performance under IFRS. As a non-IFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the level of Baiyun Technician College's net profit by eliminating a non-recurring item, namely imputed interest income. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the profit of Baiyun Technician College for the relevant year/period. See "– Non-IFRS Measure." The following table reconciles the adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

The revenue of Baiyun Technician College increased from RMB151.7 million for the year ended 31 December 2014 to RMB179.6 million for the year ended 31 December 2016, representing a CAGR of 8.8%. Its net profit increased from RMB10.9 million for the year ended 31 December 2014 to RMB14.4 million for the year ended 31 December 2016, representing a CAGR of 14.9%. Its Adjusted Net Profit increased from RMB9.6 million for the year ended 31 December 2014 to RMB10.6 million for the year ended 31 December 2016, representing a CAGR of 4.8%. For more information of the adjusted net profit of Baiyun Technician College, see the section headed "– Financial Information of Baiyun Technician College – Non-IFRS Measure."

Pro Forma Operating Results of the Enlarged Group Comprising Three Schools during the Track Record Period

We presented unaudited pro forma consolidated financial information of the enlarged group for the year ended and as of 31 December 2016 and for the six months ended and as of 30 June 2017 in part (B) of Appendix II as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016. The unaudited pro forma consolidated financial information of the enlarged group has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the enlarged group.

The following table presents the revenue, cost of revenue, gross profit, net profit from continuing operations and profit for the year/period of the enlarged group based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017:

	Year ended 31 December 2016	**Six months ended 30 June 2017**
	(RMB'000) (Unaudited)	*(RMB'000)* (Unaudited)
Revenue	1,040,855	495,137
Cost of revenue	(519,065)	(211,483)
Gross profit	521,790	283,654
Net profit from continuing operations	432,097	226,469
Profit for the year/period	420,100	233,888

For more information, see "Appendix II – Unaudited Pro Forma Financial Information of the Enlarged Group."

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure – Corporate Reorganisation", our Company became the holding company of the companies and educational institutions then comprising our Group on 30 June 2017. Since our Controlling Shareholders controlled all such companies and educational institutions before and after the Reorganisation, our Group is regarded as a continuing entity. Our financial information for the Track Record Period has been prepared on the basis as if our Company had been always been the holding company of our Group using the principal of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants. On 14 August 2017, our Group completed the obtaining of control of Baiyun Technician College and we obtained effective control over Baiyun Technician College, following which, our Group commenced to consolidate operation results and assets and liabilities of Baiyun Technician College.

During the Track Record Period, due to regulatory restrictions on foreign ownership in the schools in the PRC, our business operations were carried out by our consolidated affiliated entities in the PRC. The wholly-owned subsidiary of our Company, WFOE, has entered into the Contractual Arrangements with, among others, our consolidated affiliated entities and their respective equity holders. The Contractual Arrangements enable WFOE to exercise effective control over our consolidated affiliated entities and obtain substantially all economic benefits of them. Accordingly, our consolidated affiliated entities are consolidated in the financial statements continuously. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements."

Our Group does not have any equity interest in our consolidated affiliated entities. However, our consolidated affiliated entities were ultimately under the control of our Controlling Shareholders, and through the Contractual Arrangements, both our consolidated affiliated entities and the business carried out by them are under the effective control of our Controlling Shareholders. Consequently, our Company regards our consolidated affiliated entities as indirect subsidiaries for the purpose of the consolidated financial statements and related notes. The companies comprising our Group during the Track Record Period were under the common control of our Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this document, the financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

For the purpose of preparing and presenting the financial statements for the Track Record Period, we have adopted the IFRS which are effective for our financial period beginning on 1 January 2014 and is consistently applied throughout the Track Record Period.

As of 31 December 2014 and 2015, our Group recorded net current liabilities of RMB92.8 million and RMB118.8 million, respectively. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection, repayment from related parties, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments. Thus, our financial statements have been prepared on a going concern basis.

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 and Private Vocational Education in China

During the Track Record Period, we derived our revenue substantially from the private higher education services provided through our two universities in China, namely Jiangxi University of Technology and Guangdong Baiyun University. As we have obtained control of Baiyun Technician College on 14 August 2017, we expect that we would derive our revenue from private higher education and private vocational education services provided through our schools in China going forward. As a result, our results of operations and financial conditions are significantly affected by the demand for private higher education and the private vocational education in China.

The key factors that drive the demand for private higher education and private vocational education in China primarily include increases in expenditure of urban households on education, growth of the school-age population and favourable policies and regulations on private education. Our business has benefited from the growth of China's economy and the increasing expenditure of urban households on education. According to the Frost & Sullivan Report, the overall economic growth and the increase in per capita GDP in China have increased the level of per capita expenditure of urban households on education in China, which increased at a CAGR of 6.9% from 2012 to 2016. According to the Frost & Sullivan Report, Chinese parents have historically placed a high value on their children's education, and they are willing to incur significant costs so that their children are able to receive high-quality education. This, together with the increasing PRC urban household income and wealth, has played a significant role in the increase in the demand for private education in China.

Furthermore, the "one-child policy" in China has kept the PRC population growth low during the past four decades. However, this policy was relaxed by the PRC government recently and the effect of such relaxation on the growth in the PRC population and school-age population is expected to become apparent by 2019, according to the Frost & Sullivan Report. Therefore, we anticipate that the demand for private education in general in China will continue to increase. In addition, the PRC government has issued a series of policies and regulations to encourage and promote the development of private education, such as encouraging private capitals to flow into the education business. Additional favourable policies are likely to be introduced to further drive the development of the PRC private education, according to the Frost & Sullivan Report.

Student Enrolments

Our revenue generally depends on the number of students enrolled at our schools and the level of tuition fees we charge. We believe our student enrolments are generally dependent on, among other things, the reputation and capacity of our schools. For the student enrolment details of our Group and Baiyun Technician College for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, please see the section headed "Business – Our Schools – Number of Students". The number of students enrolled in Jiangxi University of Technology decreased in the four school years because the university had progressively tightened its admission criteria with a view to improving the overall quality of students. In particular, since the 2014/2015 school year, Jiangxi University of Technology has raised the minimum admission requirement of Gaokao score of various programmes. This resulted in less eligible students (and, in turn, student enrolment) for the relevant programmes. We consider that the slight decrease in the overall student enrolment of Jiangxi University of Technology during the relevant school years did not have a significant impact on the utilisation of its teaching facilities, such as classrooms, libraries and laboratories, as most of these resources are utilised by the students on a shared basis. We believe higher quality and better reputation can help us improve the level of fees we can charge per student, which in turn will further increase our profitability and strengthen our reputation in the long term.

One of the most important factors that the students and parents would consider when choosing a school to attend is the school's reputation. We believe that the reputation of our schools is built on our top rankings, high employment rates and ample employment opportunities available to our students, which are attributable to our dedication to education quality, our focuses on research, innovation and employment, as well as our strategic locations. If we are not able to maintain or continue to enhance our reputation, we may not be able to maintain or increase our student enrolment level.

Our student enrolments may be restrained by the capacity of our schools if we do not increase our school capacity in line with our student enrolment growth. We are now building a new campus for Guangdong Baiyun University in Zhongluotan Land. The campus expansion will allow us to accommodate additional students that we intend to enrol in the future and drive the growth in our revenue.

Tuition Fees and Boarding Fees

Our revenue is affected by the level of tuition fees and boarding fees that we are able to charge. We usually require students to pay tuition fees and boarding fees for each school year at the beginning of that school year. We determine our tuition fees typically based on the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. For the details of the tuition fees and boarding fees charged by our Group and Baiyun Technician College for the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, see "Business – Our Schools – Tuition Fees and Boarding Fees".

Our revenue is also affected by the mix of our tuition fees income. The tuition fees of our schools vary depending on the different schools or the different academic programmes that each of our schools offers. As a result, the changes in the number of students enrolled in different academic programmes in each school year may lead to fluctuations of our tuition fees income.

According to the Frost & Sullivan Report, the private higher education industry has fairly high entry barriers. Given our leading position in our existing markets, our outstanding reputation, our premium education quality and the strong demand for our services, we believe we will be able to optimise our pricing without compromising our competitive edges. While we have successfully increased tuition fees of our schools during the Track Record Period, there is no guarantee that we will be able to continue to raise tuition fees in the future. See "Risk Factors – Risks Relating to Our Business and Our Industry – Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise the level of tuition fees and boarding fees". For those students who did not complete their study with us, we also have refund policies in place. See "Business – Our Schools" for further details.

Our School Utilisation Rate

In addition to student enrolment and tuition fees, the utilisation rate of our schools' facilities is also a key driver of revenue growth and gross margin. For the calculation methods of school utilisation rate of a given school, see "Business – Our Schools – Capacity and Utilisation."

Independent of the level of student enrolment in any given year, we incur a significant amount of fixed costs relating to the operation of our business. All of our schools are close to reaching their full capacity. We intend to increase the capacity of our schools and then improve their utilisation rate by recruiting more students. We believe that enrolment of additional students in those schools will not substantially increase fixed costs, but the increased utilisation rate may result in lower per-student costs and higher profits. For the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years, Jiangxi University of Technology's utilisation rate was 95.0%, 98.6%, 98.5% and 90.0%, respectively; Guangdong Baiyun University's utilisation rate was 99.6%, 99.6%, 97.6% and 95.0%, respectively; utilisation rate of Baiyun Technician College which we obtained control on 14 August 2017, was 86.7%, 87.5%, 95.3% and 93.3% for the 2014/2015, 2015/2016 and 2016/2017 school years, respectively.

Ability to Control Our Costs and Expenses

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our cost of revenue represented approximately 49.7%, 49.2%, 47.0%, 43.1% and 40.7% of our total revenue, respectively. Our cost of revenue consists primarily of teaching staff costs, education expenses, and depreciation and amortisation expenses. Teaching staff costs increased from RMB151.3 million for the year ended 31 December 2014 to RMB171.0 million for the year ended 31 December 2015 and further to RMB171.9 million for the year ended 31 December 2016, and slightly decreased from RMB88.5 million for the six months ended 30 June 2016 to RMB86.6 million for the six months ended 30 June 2017. The general increasing trend in teaching staff costs was primarily attributable to our continuing efforts to recruit additional teachers and to increase their compensation with a view to retaining our teachers. The cost of revenue of Baiyun Technician College, which we obtained control of on 14 August 2017, constituted approximately 67.1%, 63.0%, 59.6%, 57.3% and 47.5% of its total revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. Teaching staff costs recorded by Baiyun Technician College increased from RMB51.0 million for the year ended 31 December 2014 to RMB52.8 million for the year ended 31 December 2015 and further to RMB66.8 million for the year ended 31 December 2016, and slightly decreased from RMB26.7 million for the six months ended 30 June 2016 to RMB25.5 million for the six months ended 30 June 2017. Same as two universities of our Group, the general increasing trend in teaching staff costs was primarily due to Baiyun Technician College's continuing efforts to recruit additional teachers and increase their compensation.

Furthermore, for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the total amount of administrative expenses as a percentage of our total revenue was approximately 13.5%, 12.2%, 11.8%, 11.7% and 14.2%, respectively. The major component of our administrative expenses is administrative staff costs. The administrative expenses of Baiyun Technician College, which we obtained control on 14 August 2017, constituted approximately 13.1%, 9.2%, 8.5%, 7.6% and 9.0% of its total revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively. The major component of the administrative expenses of Baiyun Technician College is administrative staff costs.

We expect staff costs, which primarily include teaching staff costs and administrative staff costs, to continue to be our most significant costs and expenses going forward, particularly in light of our plan to expand our school network and increase our school capacity, which requires more teachers and other employees.

We also expect our capital expenditures to increase as we are constructing a new campus on the Zhongluotan Land, which may result in increases in our depreciation in the coming years. We may need to raise additional bank loans and other borrowings to finance the construction of the new campus, which may result in increases in our finance cost as well. Our ability to effectively control such costs and expenses may materially affect our profitability.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 3 and 4 to the Accountants' Report in Appendix IA.

FINANCIAL INFORMATION OF OUR GROUP COMPRISING TWO SCHOOLS DURING THE TRACK RECORD PERIOD

Operating Results

The following table presents our summary consolidated statements of comprehensive income for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, which are derived from, and should be read in conjunction with, our consolidated financial statements, including the notes thereto, included in the Accountants' Report of our Group set forth in Appendix IA.

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Continuing operations					
Revenue	821,934	846,016	861,289	417,976	405,375
Cost of revenue	(408,683)	(415,897)	(404,577)	(180,028)	(165,108)
Gross profit	413,251	430,119	456,712	237,948	240,267
Other income	38,722	58,388	73,879	32,476	17,961
Investment income	4,154	9,786	17,861	8,784	9,304
Other gains and losses	3,233	(3,918)	2,627	(587)	4,544
Selling expenses	(21,573)	(14,289)	(9,367)	(4,953)	(579)
Administrative expenses	(111,265)	(103,385)	(101,523)	(48,889)	(57,424)
Listing expenses	–	–	–	–	(10,146)
Finance costs	(13,210)	(12,294)	(14,889)	(6,130)	(10,011)
Profit before taxation	313,362	364,407	425,300	218,694	193,916
Taxation	(3,936)	(2,506)	(1,949)	(1,233)	(903)
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Discontinued operations					
Profit (loss) for the year/period from discontinued operations	93	(13,642)	(10,836)	(4,605)	7,407
Profit for the year/period	309,519	348,259	412,515	212,811	200,420
Adjusted Net Profit[1]	308,335	356,400	409,232	211,129	195,038

Note:

(1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period from continuing operations excluding the effects of imputed interest income arising from amount due from Directors, imputed interest income arising from an amount due from a related party and the listing expenses. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the

effects of certain one-off or non-recurring items, namely imputed interest income and listing expenses. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See "– Non-IFRS Measure". The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from continuing operations:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from an amount due from a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	308,335	356,400	409,232	211,129	195,038

Key Components of Our Results of Operations

Revenue

Our revenue is measured at the fair value of the consideration received or receivable. We derive all of our revenue from tuition fees, boarding fees and our provision of certain non-educational ancillary services. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, we generated total revenue of RMB821.9 million, RMB846.0 million, RMB861.3 million, RMB418.0 million and RMB405.4 million, respectively. The following table sets forth a breakdown of our revenue by income source for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		**2015**		**2016**		**2016**		**2017**	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)* (Unaudited)	*%*	*(RMB'000)*	*%*
Tuition fees	750,052	91.2	775,600	91.7	786,285	91.3	384,320	91.9	368,266	90.8
Boarding fees	54,085	6.6	51,677	6.1	53,779	6.2	23,456	5.6	27,388	6.8
Ancillary Services	17,797	2.2	18,739	2.2	21,225	2.5	10,200	2.5	9,721	2.4
Total	821,934	100.0	846,016	100.0	861,289	100.0	417,976	100.0	405,375	100.0

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

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Jiangxi University of Technology	506,081	61.6	497,288	58.8	487,625	56.6	232,366	55.6	220,281	54.3
Guangdong Baiyun University	315,853	38.4	348,728	41.2	373,664	43.4	185,610	44.4	185,094	45.7
Total	821,934	100.0	846,016	100.0	861,289	100.0	417,976	100.0	405,375	100.0

We recognise tuition fees and boarding fees proportionately over the relevant period of the applicable programmes. For further information on tuition fees and boarding fees, see "Business – Our Schools – Tuition Fees and Boarding Fees." In the event a student leaves school during a school year, we have tuition fees and boarding fees refund policies in place at our schools. The tuition fees and boarding fees refunded each year during the Track Record Period accounted for less than 1% of our revenue of such year. For a summary of our tuition fees and boarding fees refund polices, see "Business – Our Schools – Tuition Fees and Boarding Fees."

Our tuition fees and boarding fees had generally increased during the Track Record Period. We believe this increase is attributable to, among other things, a growing popularity among prospective students in recent years and outstanding employment rates of our graduates. For the upcoming 2017/2018 school year, Guangdong Baiyun University will raise the level of its tuition fees from RMB19,000 – RMB26,000 per year in the 2016/2017 school year to RMB22,000 – RMB30,000 per year for certain bachelor's degree programmes in the 2017/2018 school year, and Jiangxi University of Technology will raise the level of its tuition fees from RMB14,000 – RMB18,000 per year in the 2016/2017 school year to RMB15,000 – RMB20,000 per year for certain bachelor's degree programmes in the 2017/2018 school year. Our increased tuition fees and boarding fees only apply to newly admitted students for the respective school year, while our existing students will continue to pay the tuition fees and boarding fees applicable at the time when they were first enrolled in the relevant schools. We increase our tuition fees and boarding fees primarily because we want to provide our students with better educational services, employment opportunities and living standard, all of which require more capital and resources. We believe we have adopted fee adjustment policies suitable for the efficient operations and rapid development of our schools, and formed a healthy cycle for the development of our schools.

Our income from ancillary services is primarily derived from dormitory air-conditioning charges, information technology related fees, and income generated from practical training and clinic operation. Informal education service income mainly refers to income generated from informal education programmes such as short-term training education programmes.

Cost of Revenue

Cost of revenue consists primarily of teaching staff costs, depreciation and amortisation, educational maintenance and operational costs, utility expenses, rental expenses, and other expenses. The following table sets forth the components of our cost of revenue for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Teaching staff costs	151,297	37.0	170,952	41.1	171,850	42.6	88,471	49.1	86,551	52.3
Educational maintenance and operational costs	158,557	38.8	143,600	34.5	116,709	28.8	34,890	19.4	22,076	13.4
Depreciation and amortisation	64,426	15.8	74,686	18.0	86,190	21.3	37,461	20.8	45,350	27.5
Utility Expenses	13,611	3.3	9,487	2.3	8,928	2.2	5,020	2.8	3,991	2.4
Rental Expense	9,246	2.3	8,654	2.1	11,052	2.7	7,906	4.4	2,730	1.7
Other expenses	11,546	2.8	8,518	2.0	9,848	2.4	6,280	3.5	4,410	2.7
Total	408,683	100	415,897	100	404,577	100	180,028	100	165,108	100

Teaching staff costs consist mainly of salaries, social insurance and other compensations paid to our teaching staff. Depreciation and amortisation relate to the depreciation and amortisation of land use right, buildings, equipment and teaching software. Rental expenses primarily relate to rental fees for certain dormitories that we rent from Independent Third Parties as well as for the internet broadband services. Other expenses primarily consist of labour union expenses, office expenditure and travel expenses.

Educational maintenance and operational costs consist of (i) educational operation costs, which primarily comprise teaching materials and consumables, costs of practical training, examination fees paid, books and operating costs of continuing education programmes, (ii) educational repair and maintenance costs, which primarily comprise the repair and maintenance services provided to educational facilities, such as teaching buildings, teaching equipment, and student dormitories, (iii) curriculum activity costs, which primarily comprise operating costs of school-cooperation programmes, teaching and student activities, (iv) students subsidies, which represents the financial aids and scholarships provided to the students, and (v) educational research and development costs, which primarily comprise costs related to researches and programme development. The following table sets forth the breakdown of our educational maintenance and operational costs during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Educational operation costs	76,841	75,881	55,835	16,805	9,831
Educational repair and maintenance costs	27,971	17,283	21,394	5,780	6,228
Curriculum activity costs	29,752	29,860	28,171	9,368	3,951
Student subsidies	13,347	13,576	7,032	1,303	1,086
Educational research and development costs	10,646	7,000	4,277	1,633	980
Total	158,557	143,600	116,709	34,889	22,076

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our gross profit was RMB413.3 million, RMB430.1 million, RMB456.7 million, RMB237.9 million and RMB240.3 million, respectively, and our gross profit margin was 50.3%, 50.8%, 53.0%, 56.9% and 59.3%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by school for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Jiangxi University of Technology	264,299	52.2	256,690	51.6	258,571	53.0	131,353	56.5	126,857	57.6
Guangdong Baiyun University	148,952	47.2	173,429	49.7	198,141	53.0	106,595	57.4	113,410	61.3
Total	413,251	50.3	430,119	50.8	456,712	53.0	237,948	56.9	240,267	59.3

Other Income

Other income consists primarily of consultancy income, academic administration income, management fee income, staff accommodation income, government grants and certain other income. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our other income was RMB38.8 million, RMB58.4 million, RMB73.9 million, RMB32.5 million and RMB18.0 million, respectively. The following table sets forth the components of our other income for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Consultancy income	14,054	32,297	47,175	20,633	5,250
Academic administration income	9,576	10,952	10,358	4,313	4,697
Management fee income	6,792	7,010	6,861	3,270	4,319
Staff quarter income	1,564	1,899	1,959	435	448
Government grants	–	93	2,524	1,262	2,275
Others	6,786	6,137	5,002	2,563	972
Total	38,772	58,388	73,879	32,476	17,961

Consultancy income represents fees collected from Baiyun Technician College for the services that we provided in relation to the school cooperation between Jiangxi University of Technology and Baiyun Technician College. The services provided by Jiangxi University of Technology include, among others, training programmes, teaching support, internship and school-enterprise cooperation referrals. The consultancy fee is to be mutually determined by the parties primarily with reference to the number of inter-school programmes and/or school-enterprise cooperation programmes facilitated by Jiangxi University of Technology, an assessment on the significance of such opportunities in relation to school reputation and student employment and the resources committed by Jiangxi University of Technology. See the section headed "Business – Inter-School Cooperation" for further details.

Academic administration income refers to certain portion of fees we retained after collecting from our students on behalf of certain institutions and agencies in connection with professional certification examinations to reimburse relevant costs we incurred in organising such examinations. Management fee income is the fee we charged from vendors of non-education services on our campuses, such as shops and restaurants operated on campus. Staff accommodation income refers to accommodation fees paid by our staff for the dormitories provided by us. Government grants include certain discretionary funds granted to us by the government to support our school development and education activities. Others primarily include income from theatres on campuses, self-taught programme examination centres, record preservation services and library services.

Investment Income

Investment income consists primarily of imputed interest income from amounts due from a related party, imputed interest income from amounts due from directors, and interest income from bank. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our investment income was RMB4.2 million, RMB9.8 million, RMB17.9 million, RMB8.8 million and RMB9.3 million, respectively.

Imputed interest income arose from amounts due from our Directors, Mr. Yu and Mr. Xie, which had been fully repaid as of the Latest Practicable Date. See the section headed "– Related Party Transactions – Advances to Directors" for more details. For the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our imputed interest income from amounts due from directors was RMB0.4 million, RMB3.9 million, RMB11.8 million, RMB5.1 million and RMB6.9 million, respectively. Imputed interest income arising from amount due from a related party represented imputed interest income arising from amount due from Baiyun Technician College, which was a related party to our Group during the Track Record Period. After we obtained control of Baiyun Technician College on 14 August 2017, it ceased to be a related party of our Group. See the section headed "– Related Party Transactions – Consultancy Services" for more details. For the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our imputed interest income from amount due from a related party was RMB0.7 million, RMB1.6 million, RMB2.4 million, RMB1.2 million and RMB1.3 million. Due to the nature of the imputed interest income, it did not increase our cash flow during the Track Record Period.

For more information of our structured deposit, please refer to the section headed "– Discussion of Key Balance Sheet Items – Current Portion of Structured Deposits."

Other Gains and Losses

Other gains and losses consist primarily of net gains on structured deposits, net loss or gain on disposal of property, plant and equipment, impairment or reversal of impairment of trade receivables primarily related to tuition fees and boarding fees, and fair value gain or loss on held for trading investment in securities of publicly traded companies listed on PRC stock exchanges.

For the year ended 31 December 2014, we recorded net gains of RMB3.2 million in respect of other gains and losses. For the year ended 31 December 2015, we recorded net losses of RMB3.9 million in respect of other gains and losses. For the year ended 31 December 2016, we recorded net gains of RMB2.6 million in respect of other gains and losses. For the six months ended 30 June 2016, we recorded net losses of RMB0.6 million in respect of other gains and losses. For the six months ended 30 June 2017, we recorded net gains of RMB4.5 million in respect of other gains and losses.

Selling Expenses

Selling expenses consist primarily of advertising expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our selling expenses were RMB21.6 million, RMB14.3 million, RMB9.4 million, RMB5.0 million and RMB0.6 million, respectively.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, depreciation and amortisation, utilities expenses and certain other administrative expenses. Other administrative expenses generally include business entertainment expenses, office expenses, staff welfare expenses, non-education related maintenance expenses, staff travel expenses, vehicle and fuel costs and labour union related expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our administrative expenses were RMB111.3 million, RMB103.4 million, RMB101.5 million, RMB48.9 million and RMB57.4 million, respectively. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our administrative staff costs were RMB44.4 million, RMB41.2 million, RMB41.2 million, RMB20.2 million and RMB19.8 million, respectively, representing 5.4%, 4.9%, 4.8%, 4.8% and 4.9% of our revenue, respectively. The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Administrative staff costs	44,389	39.9	41,183	39.8	41,224	40.6	20,216	41.4	19,818	34.5
Depreciation and Amortisation	11,292	10.2	15,110	14.6	24,663	24.3	14,014	28.7	12,484	21.7
Utilities Expenses	21,831	19.6	14,825	14.3	10,430	10.3	4,369	8.9	5,001	8.7
Other Expenses	33,753	30.3	32,267	31.3	25,206	24.8	10,290	21.0	20,121	35.1
Total	111,265	100.0	103,385	100.0	101,523	100.0	48,889	100.0	57,424	100.0

Listing Expenses

We incurred RMB10.1 million expenses in relation to the Global Offering for the six months ended 30 June 2017, which primarily consist of fees paid to certain professional parties. We did not record any listing expenses for the years ended 31 December 2014, 2015 and 2016.

Finance Costs

Our finance costs consist primarily of the interest expenses on our bank borrowings, net of amounts capitalised in the cost of property, plant and equipment. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our finance expenses were RMB13.2 million, RMB12.3 million, RMB14.9 million, RMB6.1 million and RMB10.0 million, respectively.

Taxation

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

For our operations in the PRC, we are generally subject to the PRC Enterprise Income Tax at a rate of 25% on our taxable income except for the WFOE, which is subject to an income tax rate of 15%. 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. As a result, private schools providing formal academic education are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. All of our schools have elected to be private schools of which the sponsors do not require reasonable returns. Our Directors confirm that the relevant PRC local tax bureaus are aware of the Enterprise Income Tax exemption treatment and we have not received any objections from such authorities to the schools' current and past tax exemption treatment as of the Latest Practicable Date.

In addition, according to Article 1 of Circular of the Ministry of Finance and the State Administration of Taxation on Education Tax Policies (Cai Shui [2004] No.39), income generated from the provision of academic educational services should be exempted from PRC Business Tax. Further, Circular on Comprehensively Promoting the Pilot Programme of the Collection of VAT in lieu of Business Tax (Cai Shui [2016] No.36) provides that academic education shall be exempted from VAT. As such, all of our schools are exempted from PRC Business Tax for its income generated from the provision of educational services during the Track Record Period and from PRC VAT for its income generated from the provision of academic educational services since 1 May 2016.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our income tax expenses were RMB3.9 million, RMB2.5 million, RMB1.9 million, RMB1.2 million and RMB0.9 million, respectively, primarily because we provide certain ancillary services, the revenue derived from which did not fall within the abovementioned tax exemption scope.

As of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

Profit for the Year/Period

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our profit for the year/period from our continuing operations was RMB309.4 million, RMB361.9 million, RMB423.4 million, RMB217.4 million and RMB193.0 million, respectively. Our profit from our continuing operations increased from RMB309.4 million for the year ended 31 December 2014 to RMB423.4 million for the year ended 31 December 2016, representing a CAGR of 17.0%.

Sensitivity Analysis

We present a sensitivity analysis of: (i) the effect of the fluctuations in tuition fees income during the Track Record Period, and (ii) the effect of the fluctuations in our staff costs, which includes our teaching staff costs and administrative staff costs, during the Track Record Period, assuming no change in depreciation and amortisation or any other costs. The sensitivity analysis involving tuition fees income and staff costs 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 5% and 10% increase or decrease in tuition fees income and staff costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees income and staff costs, we believe that the application of hypothetical upward and downward fluctuations of 5% and 10% in the tuition fees income and staff costs presents a meaningful analysis of the potential impact of changes in the tuition fees income and staff costs on our revenue and profitability.

The following tables set forth the sensitivity of our profit for the year/period to the hypothetical reasonable changes in our tuition fees income and teaching staff cost for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017:

	Impact on our profit for the year/period				
	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Sensitivity analysis of tuition fees income					
Tuition fees income (decrease)/increase					
(10)%	(75,005)	(77,560)	(78,628)	(38,432)	(36,827)
(5)%	(37,503)	(38,780)	(39,314)	(19,216)	(18,413)
5%	37,503	38,780	39,314	19,216	18,413
10%	75,005	77,560	78,628	38,432	36,827
Sensitivity analysis of teaching staff costs					
Staff costs (decrease)/increase					
(10)%	14,941	17,721	19,352	9,588	10,148
(5)%	7,470	8,860	9,676	4,794	5,074
5%	(7,470)	(8,860)	(9,676)	(4,794)	(5,074)
10%	(14,941)	(17,721)	(19,352)	(9,588)	(10,148)

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Net Profit

The Adjusted Net Profit eliminates the effect of certain non-cash or one-off items, namely imputed interest income arising from amount due from Directors, imputed interest income arising from amount due from a related party and listing expenses. The term adjusted net profit is not defined under IFRS. As a non-IFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the effect of imputed interest income and listing expenses on our net profit. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant periods. The effects of imputed interest income and listing expenses that are eliminated from adjusted net profit are significant components in understanding and assessing our operating and financial performance. In light of the foregoing limitations for adjusted net profit, when assessing our operating and financial performance, you should not view the Adjusted Net Profit in isolation or as a substitute for our profit for the year/period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from our continuing operations:

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from amount due to a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	308,335	356,400	409,232	211,129	195,038

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our Adjusted Net Profit from our continuing operations was RMB308.3 million, RMB356.4 million, RMB409.2 million, RMB211.1 million and RMB195.0 million, respectively. Our Adjusted Net Profit from continuing operations increased from RMB308.3 million for the year ended 31 December 2014 to RMB409.2 million for the year ended 31 December 2016, representing a CAGR of 15.2%.

Period to Period Comparison of Results of Operations

Six months ended 30 June 2017 Compared to Six months ended 30 June 2016

Revenue

Our revenue decreased by 3.0% from RMB418.0 million for the six months ended 30 June 2016 to RMB405.4 million for the six months ended 30 June 2017. This decrease was primarily due to a decrease in tuition fees income.

Revenue derived from tuition fees decreased by 4.2% from RMB384.3 million for the six months ended 30 June 2016 to RMB368.3 million for the six months ended 30 June 2017. This decrease was primarily due to a decrease in the total student enrolment of Jiangxi University of Technology from 37,702 in the 2015/2016 school year to 35,982 in the 2016/2017 school year as the school has progressively tightened its admission criteria.

Revenue derived from boarding fees increased by 16.8% from RMB23.5 million for the six months ended 30 June 2016 to RMB27.4 million for the six months ended 30 June 2017. This increase was primarily due to an increase in the level of boarding fee of Jiangxi University of Technology.

Revenue derived from ancillary services decreased by 4.7% from RMB10.2 million for the six months ended 30 June 2016 to RMB9.7 million for the six months ended 30 June 2017. This decrease was primarily due to Jiangxi University of Technology ceasing to charge students dormitory air-conditioning fees.

Cost of revenue

Cost of revenue decreased by 8.3% from RMB180.0 million for the six months ended 30 June 2016 to RMB165.1 million for the six months ended 30 June 2017. This decrease was primarily due to a decrease of RMB12.7 million in educational maintenance and operational costs, partially offset by an increase in depreciation and amortisation.

The decrease in educational maintenance and operational costs was primarily contributed by (i) a decrease of approximately RMB3.6 million in curriculum activity costs due to a one-off online learning platform construction and maintenance fee incurred by Guangdong Baiyun University for our students' benefit during the six months ended 30 June 2016, (ii) a decrease of approximately RMB3.1 million in educational operation costs resulting from less costs incurred in arranging examinations for students of our continuing education programmes at Jiangxi University of Technology due to a decreased number of enrolled students taking examinations as a result of our decision to cease admitting new students for our continuing education programmes at Jiangxi University of Technology in 2014, and (iii) a decrease in educational operation costs due to our enrolment, in response to the market demand, of a higher percentage of students for arts majors (66.5% in the 2016/2017 school year as compared to 64.5% in the 2015/2016 school year), which requires less teaching consumables for practical training and is generally less costly in terms of operation as compared to that of science majors and thus we believe it improves our overall profitability.

Gross Profit and Gross Profit Margin

Our gross profit increased by 1.0% from RMB237.9 million for the six months ended 30 June 2016 to RMB240.3 million for the six months ended 30 June 2017 as a result of the decrease in our cost of revenue that outweighted the decrease in our revenue. The primary underlying reason for the decrease in our cost of revenue was the decrease in our educational maintenance and operational costs for reasons explained above. Our gross profit margin increased from 56.9% for the six months ended 30 June 2016 to 59.3% for the six months ended 30 June 2017.

Other Income

Our other income decreased by 44.7% from RMB32.5 million for the six months ended 30 June 2016 to RMB18.0 million for the six months ended 30 June 2017. The decrease was primarily attributable to a decrease in consultancy income from RMB20.6 million for the six months ended 30 June 2016 to RMB5.3 million for the six months ended 30 June 2017, which was primarily due to a reduction of services provided to Baiyun Technician College by Jiangxi University of Technology in the six months ended 30 June 2017 compared with those in the six months ended 30 June 2016. As the reputation, enterprise network and academic platform of Baiyun Technician College have become more established, Baiyun Technician College required less consultancy services, facilitation and cooperation projects from Jiangxi University of Technology.

Investment Income

Our investment income increased by 5.9% from RMB8.8 million for the six months ended 30 June 2016 to RMB9.3 million for the six months ended 30 June 2017. The increase was primarily attributable to an increase of RMB1.8 million in imputed interests income from amounts due from Directors as results of additional advances provided to our Directors as of 30 June 2017.

Other Gains and Losses

We recorded net gains of RMB4.5 million for the six months ended 30 June 2017 in respect of other gains and losses, while we recorded net losses of RMB0.6 million for the six months ended 30 June 2016 in respect of other gains and losses. The change was primarily due to (i) a decrease in fair value loss on equity investments made by Guangdong Baiyun College from RMB2.4 million for the six months ended 30 June 2016 to RMB0.5 million for the six months ended 30 June 2017; and (ii) an increase in net gain on structured deposits from RMB2.3 million for the six months ended 30 June 2016 to RMB4.4 million for the six months ended 30 June 2017.

Selling Expenses

Our selling expenses decreased by 88.3% from RMB5.0 million for the six months ended 30 June 2016 to RMB0.6 million for the six months ended 30 June 2017, primarily because we gradually phased out advertisement on traditional media and devoted more resources in social media, which we believe is more cost-effective.

Administrative Expenses

Our administrative expenses increased by 17.5% from RMB48.9 million for the six months ended 30 June 2016 to RMB57.4 million for the six months ended 30 June 2017, primarily because we established offices in Shanghai, Shenzhen and Hong Kong in 2017.

Listing Expenses

We recorded listing expenses of RMB10.1 million for the six months ended 30 June 2017 in connection with the Global Offering. We did not record any listing expenses for the six months ended 30 June 2016.

Finance Costs

Our finance costs increased by 63.3% from RMB6.1 million for the six months ended 30 June 2016 to RMB10.0 million for the six months ended 30 June 2017. The increase was primarily due to a decrease of RMB7.1 million in amounts capitalised in property, plant and equipment, partially offset by a decrease of RMB3.3 million in interest expenses on bank borrowings.

Taxation

Our income tax expense decreased by 26.8% from RMB1.2 million for the six months ended 30 June 2016 to RMB0.9 million for the six months ended 30 June 2017, primarily due to a decrease in our taxable income, which mainly consists of certain ancillary service income and certain non-formal education service income.

Profit for the Period from Continuing Operations

As an overall result of the above factors, our profit from continuing operations decreased by 11.2% from RMB217.4 million for the six months ended 30 June 2016 to RMB193.0 million for the six months ended 30 June 2017. The primary underlying reason for the decrease in our profit from continuing operations was the decrease in our other income, as we received a lower level of consultancy fee from Baiyun Technician College for reasons set out above.

Adjusted Net Profit for the Year

Our Adjusted Net Profit decreased by 7.6% from RMB211.1 million for the six months ended 30 June 2016 to RMB195.0 million for the six months ended 30 June 2017.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Our revenue increased by 1.8% from RMB846.0 million for the year ended 31 December 2015 to RMB861.3 million for the year ended 31 December 2016. The increase was primarily due to a general raise in the level of tuition fees of both Jiangxi University of Technology and Guangdong Baiyun University in the 2016/2017 school year.

Revenue derived from tuition fees increased by 1.4% from RMB775.6 million for the year ended 31 December 2015 to RMB786.3 million for the year ended 31 December 2016. This increase was primarily due to a general raise in the level of tuition fees in the 2016/2017 school year, partially offset by a decrease in the total student enrolment of Jiangxi University of Technology in the 2015/2016 and 2016/2017 school years as the school has progressively tightened its admission criteria.

Revenue derived from boarding fees increased by 4.1% from RMB51.7 million for the year ended 31 December 2015 to RMB53.8 million for the year ended 31 December 2016. This increase was primarily due to a raise in the level of boarding fees in Jiangxi University of Technology in the 2016/2017 school year.

Revenue derived from ancillary services increased by 13.3% from RMB18.7 million for the year ended 31 December 2015 to RMB21.2 million for the year ended 31 December 2016. This increase was primarily due to Jiangxi University of Technology began to charge information technology related fees to the students in 2016.

Cost of revenue

Our cost of revenue decreased by 2.7% from RMB415.9 million for the year ended 31 December 2015 to RMB404.6 million for the year ended 31 December 2016. This decrease was primarily due to a decrease of RMB26.9 million in educational maintenance and operational costs, partially offset by an increase of RMB11.5 million in depreciation and amortisation.

The decrease in educational maintenance and operational costs was primarily contributed by (i) a decrease of approximately RMB5.8 million in educational operation costs resulting from less costs incurred in arranging examinations for students of our continuing education programmes at Jiangxi University of Technology due to a decreased number of enrolled students taking examinations as a result of our decision to cease admitting new students for our continuing education programmes at Jiangxi University of Technology in 2014, (ii) a decrease of approximately RMB5.4 million in educational operation costs because of a decreased number of students taking practical training courses in 2016 as compared to that of 2015 due to a change of relevant attendance policy for certain practical training courses from compulsory basis to voluntary basis, (iii) a decrease in educational operation costs due to our enrolment, in response to the market demand, of a higher percentage of students for arts majors (64.5% in the 2015/2016 school year as compared to 62.6% in the 2014/2015 school year), which requires less purchase for teaching materials for practical training and is generally less costly in terms of operation as compared to that of science majors and thus we believe it improves our overall profitability, and (iv) a decrease of approximately RMB6.5 million in student subsidies mainly because we provided less subsidies to our students.

During the Track Record Period, the decrease in our educational operation costs was also contributed by our efforts in seeking better terms from our relevant suppliers and contractors. For example, the costs of purchasing computer main boards and computer hard disks were 23.8% and 19.5% lower in 2016 than the costs we incurred in 2015.

Gross Profit and Gross Margin

As a result of the increase in our revenue, which was primarily due to general raise in the level of tuition fees of the programmes offered at our universities, and the decrease in our cost of revenue, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, our gross profit increased by 6.2% from RMB430.1 million for the year ended 31 December 2015 to RMB456.7 million for the year ended 31 December 2016.

Our gross profit margin improved from 50.8% for the year ended 31 December 2015 to 53.0% for the year ended 31 December 2016.

Other Income

Our other income increased by 26.5% from RMB58.4 million for the year ended 31 December 2015 to RMB73.9 million for the year ended 31 December 2016. The increase was primarily attributable to an increase in consultancy income from RMB32.3 million for the year ended 31 December 2015 to RMB47.2 million for the year ended 31 December 2016, which was primarily due to an increase in services provided to Baiyun Technician College by Jiangxi University of Technology in 2016.

Investment Income

Our investment income increased by 82.5% from RMB9.8 million for the year ended 31 December 2015 to RMB17.9 million for the year ended 31 December 2016, which was primarily due to an increase of RMB7.8 million in the imputed interest income from advances made to our Directors, Mr. Yu and Mr. Xie. The increase in imputed interest income was primarily due to an increase in advances provided to Mr. Yu and Mr. Xie, from 31 December 2015 to 31 December 2016. The advances made to Mr. Yu and Mr. Xie had been settled as of the Latest Practicable Date.

Other Gains and Losses

We recorded net loss of RMB3.9 million in respect of other gains and losses for the year ended 31 December 2015, as compared to net gains of RMB2.6 million for the year ended 31 December 2016. The change was primarily due to (i) a decrease of RMB3.7 million in recognition of impairment on trade receivables because of our improved receivables collection; and (ii) an increase of RMB2.4 million in net gain on structured deposits.

Selling Expenses

Our selling expenses decreased by 34.4% from RMB14.3 million for the year ended 31 December 2015 to RMB9.4 million for the year ended 31 December 2016, primarily because we gradually phased out advertisement on traditional media and devoted more resources in social media, which we believe is more cost-effective.

Administrative Expenses

Our administrative expenses decreased by 1.8% from RMB103.4 million for the year ended 31 December 2015 to RMB101.5 million for the year ended 31 December 2016, primarily due to decreases in our utility expense and other expense as a result of our administrative efficiency that we consider to have improved, partially offset by an increase in depreciation and amortisation due to renovations of our school buildings and construction of additional staff dormitories in 2016.

Finance Costs

Our finance costs increased by 21.1% from RMB12.3 million for the year ended 31 December 2015 to RMB14.9 million for the year ended 31 December 2016, primarily due to an increase of RMB2.4 million in interest expenses on bank borrowing as Jiangxi University of Technology borrowed additional bank loans in 2016 to supplement its working capital.

Taxation

Our income tax expenses decreased by 22.2% from RMB2.5 million for the year ended 31 December 2015 to RMB1.9 million for the year ended 31 December 2016, primarily due to a decrease in the difference between (i) taxable income, which mainly consists of certain ancillary service income and certain informal education service income; and (ii) tax deductible expenses, which are generally apportioned by way of a percentage ratio between each of our two universities' taxable income and non-taxable income for the corresponding financial year. Such expenses are deductible on the basis that our two universities have obtained tax deductible invoice from the relevant vendors/service providers for the purpose of tax deduction. With a view to improving our tax management, as confirmed by the Directors, we gradually improved in obtaining the requisite tax deductible invoices over the Track Record Period, which mainly led to an increased tax deductible expenses in the relevant period, and accordingly, resulted in a decrease in income tax expense, or in other words, a lower margin between the taxable income and tax deductible expenses.

Profit for the Year from Continuing Operations

As an overall result of the above factors, our profit from continuing operations increased by 17.0% from RMB361.9 million for the year ended 31 December 2015 to RMB423.4 million for the year ended 31 December 2016. The primary underlying reason for the increase in our profit from continuing operations was the increase in our other income, as we received a higher level of consultancy fee from Baiyun Technician College. Our improvement in gross profit, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, also contributed to the increase in our profit from continuing operations.

Adjusted Net Profit for the Year

Our Adjusted Net Profit increased by 14.8% from RMB356.4 million for the year ended 31 December 2015 to RMB409.2 million for the year ended 31 December 2016.

Year Ended 31 December 2015 Compared to Year Ended 31 December 2014

Revenue

Our revenue increased by 2.9% from RMB821.9 million for the year ended 31 December 2014 to RMB846.0 million for the year ended 31 December 2015. The increase was primarily due to an increase in the student enrolment of Guangdong Baiyun University for the 2014/2015 and 2015/2016 school years.

Revenue derived from tuition fees increased by 3.4% from RMB750.1 million for the year ended 31 December 2014 to RMB775.6 million for the year ended 31 December 2015. This increase was primarily due to an increase in the student enrolment of Guangdong Baiyun University for the 2014/2015 and 2015/2016 school years.

Revenue derived from boarding fees decreased by 4.5% from RMB54.1 million for the year ended 31 December 2014 to RMB51.7 million for the year ended 31 December 2015. This decrease was primarily due to a decrease in dormitory capacity of Jiangxi University of Technology as some of its dormitories were under renovation during 2015, thus, some of the students sought accommodation outside of the school.

Revenue derived from ancillary services increased by 5.3% from RMB17.8 million for the year ended 31 December 2014 to RMB18.7 million for the year ended 31 December 2015. This increase was primarily due to an increase in dormitory air-conditioning charges because an increased number of student dormitories were equipped with air conditioners in 2015.

Cost of revenue

Our cost of revenue increased by 1.8% from RMB408.7 million for the year ended 31 December 2014 to RMB415.9 million for the year ended 31 December 2015. This increase was primarily due to an increase of RMB19.7 million in teaching staff costs as a result of salary raise in 2015 and an increase of RMB10.3 million in depreciation and amortisation because we constructed additional dormitories and teaching buildings in 2015, partially offset by a decrease of RMB15.0 million in educational maintenance and operational costs.

The decrease in educational maintenance and operational costs was primarily due to (i) we invested approximately RMB6.5 million in a one-off digitalisation upgrade of our campus infrastructure in 2014, which resulted in a lower educational repair and maintenance costs in 2015 as compared to that of 2014, and (ii) a higher number of research projects we undertook in 2014 as compared to that of 2015, which resulted in a corresponding decrease of approximately RMB2.9 million in 2015. Research projects require commitment of our resources that would increase our educational maintenance and operational costs, such as deploying research assistants in the collection and analysis of market data, conducting teacher and student surveys and gauging student experience and feedback.

Gross Profit and Gross Margin

As a result of the increase in revenue, which was primarily due to the increase of student enrolment of Guangdong Baiyun University, and the decrease in our cost of revenue, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, our gross profit increased by 4.1% from RMB413.3 million for the year ended 31 December 2014 to RMB430.1 million for the year ended 31 December 2015.

Our gross profit margin increased from 50.3% for the year ended 31 December 2014 to 50.8% for the year ended 31 December 2015.

Other Income

Our other income increased by 50.6% from RMB38.8 million for the year ended 31 December 2014 to RMB58.4 million for the year ended 31 December 2015. The increase was primarily attributable to an increase in consultancy income from RMB14.1 million for the year ended 31 December 2014 to RMB32.3 million for the year ended 31 December 2015, which was primarily due to an increase in services provided to Baiyun Technician College by Jiangxi University of Technology in 2015.

Investment Income

Our investment income increased by 135.6% from RMB4.2 million for the year ended 31 December 2014 to RMB9.8 million for the year ended 31 December 2015, which was primarily due to an increase of RMB3.5 million in the imputed interest income from advances made to our Directors, Mr. Yu and Mr. Xie. The increase in imputed interest income was primarily due to an increase in advances provided to Mr. Yu and Mr. Xie from 31 December 2014 to 31 December 2015. The advances made to Mr. Yu and Mr. Xie had been settled as of the Latest Practicable Date. The investment income from banks also increased from RMB3.1 million to RMB4.3 million.

Other Gains and Losses

We recorded net losses in respect of other gains and losses of RMB3.9 million for the year ended 31 December 2015, while we recorded net gains in respect of other gains and losses of RMB3.2 million for the year ended 31 December 2014. The change was primarily due to (i) an increase of RMB3.7 million in recognition of impairment on trade receivables because we adopted the policy to write off trade receivables overdue longer than two years in 2015; and (ii) fair value loss of RMB1.9 million on held for trading investments recorded in 2016 as compared to fair value gain of RMB2.9 million on held for trading investments recorded in 2015.

Selling Expenses

Our selling expenses decreased by 33.8% from RMB21.6 million for the year ended 31 December 2014 to RMB14.3 million for the year ended 31 December 2015, primarily because we gradually phased out advertisement on traditional media and devoted more resources in social media, which we believe is more cost-effective.

Administrative Expenses

Our administrative expenses decreased by 7.1% from RMB111.3 million for the year ended 31 December 2014 to RMB103.4 million for the year ended 31 December 2015, primarily due to a decrease of RMB3.2 million in administrative staff cost as well as a decrease of RMB7.0 million in utilities expenses due to our administrative efficiency that we consider to have improved, partially offset by an increase of RMB3.8 million in depreciation and amortisation due to the renovations to our office buildings in 2015.

Finance Costs

Our finance costs decreased by 6.9% from RMB13.2 million for the year ended 31 December 2014 to RMB12.3 million for the year ended 31 December 2015, primarily due to an increase of RMB6.3 million in amounts capitalised in property, plant and equipment, thereby reducing the amount of finance costs related to such property, plant and equipment, partially offset by an increase of RMB5.3 million in interest expenses on bank borrowings.

Taxation

Our income tax expenses decreased by 36.3% from RMB3.9 million for the year ended 31 December 2014 to RMB2.5 million for the year ended 31 December 2015, primarily due to a decrease in the difference between (i) taxable income, which mainly consists of certain ancillary service income and certain informal education service income; and (ii) tax deductible expenses, which are generally apportioned by way of a percentage ratio between each of our two universities' taxable income and non-taxable income for the corresponding financial year. Such expenses are deductible on the basis that our two universities have obtained tax deductible invoice from the relevant vendors/service providers for the purpose of tax deduction. With a view to improving our tax management, as confirmed by the Directors, we gradually improved in obtaining the requisite tax deductible invoices over the Track Record Period, which mainly led to an increased tax deductible expenses in the relevant period, and accordingly, resulted in a decrease in income tax expense, or in other words, a lower margin between the taxable income and tax deductible expenses.

Profit for the Year from Continuing Operations

As an overall result of the above factors, our profit increased by 17.0% from RMB309.4 million for the year ended 31 December 2014 to RMB361.9 million for the year ended 31 December 2015. The primary underlying reason for the increase in our profit from continuing operations was the increase in our other income, as we received a higher level of consultancy fee from Baiyun Technician College. Our improvement in gross profit, which was primarily due to the decrease in our educational maintenance and operational costs for reasons explained above, also contributed to the increase in our profit from continuing operations.

Adjusted Net Profit for the Year

Our Adjusted Net Profit increased by 15.6% from RMB308.3 million for the year ended 31 December 2014 to RMB356.4 million for the year ended 31 December 2015.

Our Discontinued Operations

During the six months ended 30 June 2017, we disposed of a number of subsidiaries with a view to rationalising our business objectives of providing private higher education and vocational education services. Those subsidiaries being disposed of included an affiliated high school and three other entities, details of which are set out in the section headed "History, Reorganisation and Corporate Structure." Our discontinued operations recorded, in aggregate, a net profit of approximately RMB0.1 million for the year ended 31 December 2014, and a net loss of RMB13.6 million and RMB10.8 million for the year ended 31 December 2015 and 2016, respectively. Our discontinued operations recorded a net loss of approximately RMB4.6 million for the six months ended 30 June 2016 and a net loss of approximately RMB8.2 million for the six months ended 30 June 2017. The net losses we recorded for the year ended 31 December 2015 and 2016 and the six months ended 30 June 2016 was primarily due to the large amount of cost of revenue and administrative expenses and relatively small amount of revenue recorded in the respective periods as a result of the early operation stage of the High School.

We did not recognise any impairment losses in respect of our discontinued operations during the Track Record Period.

Net Current Assets and Liabilities

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

	As of 31 December			As of 30 June	As of 31 October
	2014	**2015**	**2016**	**2017**	**2017***
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
CURRENT ASSETS					
Inventories	213	337	316	257	253
Trade receivables, deposits, prepayments and other receivables	30,489	28,684	39,612	49,252	113,768
Amounts due from shareholders	–	–	–	1	1
Amounts due from related parties	38,084	52,325	168,952	190,283	–
Amounts due from directors	122,857	191,296	446,032	476,016	–
Held for trading investments	12,142	10,260	7,356	6,820	6,684
Structured deposits	207,001	257,001	418,201	298,900	98,000
Prepaid lease payments	1,321	1,321	1,321	1,321	2,838
Bank balances and cash	332,081	373,854	247,133	192,129	904,069
TOTAL CURRENT ASSETS	744,188	915,078	1,328,923	1,214,979	1,125,613
CURRENT LIABILITIES					
Deferred revenue	590,204	602,287	595,208	253,495	893,608
Trade payables	4,110	6,844	9,296	4,240	6,170
Other payables and accrued expenses	168,131	188,240	207,684	232,808	338,330
Amounts due to related parties	19,443	34,822	38,478	200	–
Amount due to a director	–	–	–	3,898	14,072
Income tax payable	4,077	6,650	9,283	9,271	9,497
Bank borrowings	51,000	195,000	209,936	211,936	120,320
TOTAL CURRENT LIABILITIES	836,965	1,033,843	1,069,885	715,848	1,381,997
NET CURRENT ASSETS (LIABILITIES)	(92,777)	(118,765)	259,038	499,131	(256,384)

Note:

* The relevant information as of 31 October 2017 also takes into account Baiyun Technician College, the control of which we obtained in August 2017. The relevant information as of 31 October 2017 is based on our unaudited management accounts that have not been reviewed, confirmed or audited by our auditors and may differ from the information to be disclosed in the audited or unaudited consolidated financial statements to be published by us. Such information is provided for reference only and not for any other purpose. Investors are advised not to place any reliance on such information but to exercise due caution when dealing in the securities of the Company.

As of 31 December 2014 and 2015, we had net current liabilities of RMB92.8 million and RMB118.8 million, respectively. As of 31 December 2016 and 30 June 2017, we had net current assets of RMB259.0 million and RMB499.1 million, respectively. We had net current liabilities as of 31 December 2014 and 2015 primarily because we recognised advanced payments of tuition fees and boarding fees received from students as deferred revenue (which were recorded as current liabilities) and utilised a portion of the cash from such payments to make advances to our Directors (which were recorded as non-current assets as such advances were not repayable within one year) and finance the construction of our school buildings and facilities (which were recorded as non-current assets). We turned our net current liabilities position into net current assets position as of 31 December 2016 and 30 June 2017, primarily because of an increase in amounts due from directors that were recorded as current assets as they became repayable within one year.

As of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had net current liabilities of approximately RMB256.4 million (unaudited and for reference only), representing a decrease of approximately RMB755.5 million from our net current assets of approximately RMB499.1 million as of 30 June 2017. We had net current liabilities as of 31 October 2017 primarily because:

(i) we obtained control of Baiyun Technician College (See "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College") in August 2017: (a) the consideration in relation to our obtaining control of Baiyun Technician College was financed out of our current assets; and (b) most of the assets recognised from obtaining control of Baiyun Technician College, particularly goodwill and intangible assets and property, plant and equipment, were primarily recorded as our non-current assets. See also "Financial Information – Financial information of Baiyun Technician College – Valuation of Pro Forma Goodwill and Pro Forma Intangible Assets of Baiyun Technician College". Furthermore, Baiyun Technician College had a net current liabilities position at the time we obtained control of it; and

(ii) certain bank borrowing of approximately RMB75.4 million that was not repayable within one year as of 30 June 2017 (which was recorded as non-current liabilities) became repayable within one year as of 31 October 2017 (which was recorded as current liabilities) as such borrowing approached maturity.

In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection, unutilised bank facilities (as confirmed by our Directors, as of the Latest Practicable Date, our unutilised banking facilities amounted to approximately RMB258.3 million), and our future capital expenditure in respect of our non-cancellable capital commitments. For more information, see "Risk Factors – Risks Relating to Our Business and Our Industry – We had net current liabilities as of 31 December 2014 and 2015 and 31 October 2017. We may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result." In addition, as of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had deferred revenue of approximately RMB893.6 million (unaudited and for reference only) recorded as current liabilities, representing approximately 64.7% of our total current liabilities as of 31 October 2017. Such deferred revenue represents prepaid tuition fees and boarding fees collected that had yet to be recognised as revenue. We record tuition fees and boarding fees collected initially as current liabilities and recognise such amounts received as revenue proportionately over the relevant period of the applicable programmes. Therefore, our deferred revenue is generally higher at the beginning of each school year and is not expected to have any material adverse effect on our liquidity. See also "Financial Information – Financial Information of our Group Comprising Two Schools During the Track Record Period – Discussion of Key Balance Sheet Items – Deferred Revenue".

Discussion of Key Balance Sheet Items

Trade receivables, deposits, prepayments and other receivables

Our trade receivables, deposits, prepayments and other receivables consist primarily of trade receivables, loans to third parties, staff advances, deposits, prepayments and other receivables. The table blow sets forth the breakdown of our trade receivables, deposits, prepayments and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Trade receivables	13,089	10,040	10,312	5,435
Loans to third parties	1,000	800	7,315	7,292
Staff advances	3,131	1,944	1,512	7,512
Other receivables	5,055	5,784	4,601	14,816
Deposits	5,455	5,013	4,365	4,350
Prepayments	2,759	5,103	11,507	5,846
Deferred listing expenses	–	–	–	3,050
Prepaid listing expenses	–	–	–	951
Total	30,489	28,684	39,612	49,252

Our trade receivables, deposits, prepayments and other receivables amounted to RMB30.5 million, RMB28.7 million, RMB39.6 million and RMB49.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The decrease from 31 December 2014 to 31 December 2015 was primarily attributable to a decrease of RMB3.0 million in trade receivables. The increase from 31 December 2015 to 31 December 2016 was primarily attributable to an increase of RMB6.5 million in loans to third parties. The increase from 31 December 2016 to 30 June 2017 was primarily attributable to an increase of RMB10.2 million in other receivables, an increase of RMB3.1 million in deferred listing expenses and an increase of RMB6.0 million in staff advances, partially offset by a decrease of RMB4.9 million in trade receivables. The significant increase in other receivables as of 30 June 2017 was primarily due to (i) utilities and other payments that we made on behalf of a former subsidiary becoming receivables after we disposed of such former subsidiary in 2017; and (ii) consideration receivable for the disposal of our equity interest in Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司). The increase in staff advances as of 30 June 2017 was primarily because an increase in travel related advances to our employees.

Our loans to third parties are primarily related to the interest-free loans we occasionally made to certain Independent Third Parties that are acquaintances of a Controlling Shareholder. As of 30 June 2017, we also recorded interest-free loans to the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學) (the "**High School**"), which were used to settle certain utilities expenses of the High School, as loans to third parties. The High School had been our subsidiary until we disposed of it to an Independent Third Party in May 2017 (See "History, Reorganisation and Corporate Structure – Corporate Reorganisation – 2. Reorganisation in relation to Jiangxi University of Technology and Guangdong Baiyun University – Disposal of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學)"). As of the Latest Practicable Date, all loans to third parties had been fully repaid. We do not expect to enter into similar arrangements going forward. According to the General Provisions of Loans (貸款通則), enterprises engaging in lending business in the PRC must be approved by the People's Bank of China in the PRC and hold Financial Institution Legal Person Licences (金融機構法人許可證) or Financial Institutions Business Licences (金融機構營業許可證). Where enterprises engage without authorisation in borrowing and lending or borrowing and lending in a disguised manner, the People's Bank of China may impose a fine from one to five times of the income derived from the infringing activity and suppress the infringing activity. Based on our confirmation that we had not received any interest or other income in respect of the loans and all outstanding amounts had been settled as of the Latest Practicable Date, our PRC Legal Adviser considers that it is unlikely that we will be subject to any penalty under the General Provisions of Loans (貸款通則).

Our staff advances are primarily travel expenses prepaid to our staff in advance of their expected travel to carry out their job function. As part of their job function, some of our staff is required to travel from time to time to undertake, among other things, student recruitment and academic activities for our schools. We typically make advances to our staff for them to cover the relevant expenses, such as travelling, accommodation and meals.

The table below sets forth an aging analysis of our trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition date:

	As of 31 December			**As of 30 June**
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
0-90 days	49	81	157	–
91-120 days	5,145	5,967	5,074	93
121-365 days	–	–	–	–
Over 365 days	7,895	3,992	5,081	5,342
Total	13,089	10,040	10,312	5,435

We usually require our students to pay tuition fees and boarding fees for each school year at the beginning of the school year, which normally commences in September, except for adult education which normally commences in January, February or March. The outstanding trade receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. Trade receivables that are past due but not impaired are attributable to a number of students who are in temporary financial difficulties. We have established a set of measures and procedures to manage late payments. In particular, we take proactive steps to communicate with the relevant students, who continue to attend our schools, on an on-going basis with a view to understanding the students' circumstances, including closely monitoring the prospects of them paying tuition fees and boarding fees and seeking financial assistance. Where appropriate, we will also consider their academic merits for the purpose of determining whether the relevant students would be eligible for school scholarships and subsidies that would alleviate their financial difficulties. In addition, these students with overdue payments are generally required to settle the relevant outstanding with us before they can formally graduate. Based on our experience, students with overdue payments for over two years would generally drop out eventually without settling the relevant outstanding with us, thus we generally make full provision for our trade receivables due over two years. However, if there are specific circumstances that come to our attention indicating the deterioration of the financial position of any student whose fees are overdue, any trade receivables relating to such student will be directly written off.

As of 31 October 2017, less than RMB0.1 million of our trade receivables as of 30 June 2017 had been subsequently settled. Despite a low level of subsequent settlement, our Directors consider that it is not necessary to make provision for all trade receivables due over 365 days, because, based on our experience, students with overdue payments over one year but less than two years generally continue to attend our schools, allowing us to take proactive steps to closely monitor their circumstances and determine the prospects of these students paying tuition fees and boarding fees. Also, these students are generally required to settle the relevant outstanding with us before they can formally graduate.

Current portion of amounts due from related parties

Current portion of amounts due from related parties were RMB38.1 million, RMB52.3 million, RMB169.0 million and RMB190.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Amounts due from related parties were primarily consultancy fees due from Baiyun Technician College. For more information of amounts due from Baiyun Technician College, see "– Related Party Transactions – Consultancy Services."

Current portion of amounts due from Directors

Current portion of amounts due from our Directors were RMB122.9 million, RMB191.3 million, RMB446.0 million and RMB476.0 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. For more information of amounts due from Directors, see "– Related Party Transactions – Advances to Directors." As of the Latest Practicable Date, all the amounts due from Directors had been fully settled.

Current portion of held for trading investments and structured deposits

Our held for trading investment were RMB12.1 million, RMB10.3 million, RMB7.4 million and RMB6.8 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, and include our investment in securities of publicly traded companies listed on the PRC stock exchanges.

Our structured deposits were RMB207.0 million, RMB257.0 million, RMB418.2 million and RMB298.9 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, and primarily include our investments in certain cash management products issued by commercial banks in the PRC.

The underlying financial instruments of the cash management products that we purchased generally include various government bonds, central bank notes, policy financial bonds, notes, interbank deposits and money market funds.

We receive most of our tuition fees and boarding fees at the beginning of each school year, and we believe we can make better use of such cash by making appropriate investments in short-term investment products, which generates income without interfering with our business operation or capital expenditures. Our investment decisions are made on a case by case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of investment policies and internal control measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. These policies and measures were formulated by Mr. Yu, our executive Director and co-Chairman of our Company, Mr. Xie, our executive Director and co-Chairman of our Company, Dr. Yu, our executive Director and chief executive officer, Ms. Xie Shaohua, our executive Director, and Mr. Mok Kwai Pui Bill, our chief financial officer.

Going forward, our finance department, under the supervision of Mr. Mok Kwai Pui Bill, our chief financial officer, is responsible for managing our investment activities. Before making a proposal to invest in any investment products, our financial department will assess our cash flow and operational needs and capital expenditures. If the cash flow exceeds our operational needs and appropriate short-term investment opportunities are available, the investment department will submit the investment proposal to our management for approval. According to our internal policies, regardless of the investment size, a proposal to invest in investment products must first be reviewed by our chief financial officer. After our management approves the proposal, the financial department may begin to negotiate the investment terms under the supervision of our chief financial officer. If the investment exceeds RMB100 million, the proposal must be approved by our Board. Our Board will review and examine the compliance of our investment transactions, and the soundness of our investment policies annually.

In assessing a proposal to invest in investment products, a number of criteria must be met, including but not limited to:

- we should generally only invest in short-term investment products;
- investments in high risk products are prohibited;
- the primary objectives of investment activities are low risk, high liquidity and reasonable yield;
- the proposed investment must not interfere with our business operations or capital expenditures; and
- the investment products should be issued by a reputable bank with which we have a long-term relationship.

We believe that our internal policies regarding investment products and the related risk management mechanism are adequate. We may continue to purchase investment products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the Listing.

Deferred Revenue

We record tuition fees, boarding fees, ancillary service fees and government grants collected initially as a liability under deferred revenue and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. Therefore, our deferred revenue is generally higher at the beginning of each school year. As a school year typically commences in September each year, amounts of deferred revenue as of a balance sheet date generally represented the amount of tuition fees received but not yet recognised as revenue for the applicable school year.

The table below sets forth our deferred revenue as of the dates indicated:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Deferred revenue	590,204	602,287	595,208	253,495

Our deferred revenue remained relatively stable as of the end of each year during the Track Record Period:

(i) a slight increase of approximately 2.0% from 31 December 2014 to 31 December 2015 signified a relatively higher level of prepaid tuition fees for the 2015/2016 school year, which was in turn primarily attributable to a general raise in the level of tuition fees for the programmes offered at Jiangxi University of Technology (see also "Business – Our schools – Tuition fees and boarding fees"); and

(ii) a slight decrease of approximately 1.2% from 31 December 2015 to 31 December 2016 signified a relatively lower level of prepaid tuition fees and boarding fees for the 2016/2017 school year, which was in turn primarily attributable to a decrease in the overall student enrolment of Jiangxi University of Technology and Guangdong Baiyun University for the 2016/2017 school year (see also "Business – Our schools – Number of students"). Such decrease was primarily attributable to a decrease in student enrolment of Jiangxi University of Technology as it tightened its admission criteria with a view to improving the overall quality of the students, the effect of which outweighed the slight growth in student enrolment of Guangdong Baiyun University and a general raise in the level of tuition fees for the programmes offered at Jiangxi University of Technology and Guangdong Baiyun University (see also "Business – Our schools – Tuition fees and boarding fees"). Guangdong Baiyun Univerisity had experienced a relatively slower growth in student enrolment for the 2016/2017 school year compared to the previous school year as it was operating at near maximum capacity.

Our deferred revenue decreased from RMB595.2 million as of 31 December 2016 to RMB253.5 million as of 30 June 2017, primarily because towards the end of a school year, most of the prepaid tuition fees and boarding fees have been recognised as revenue and are no longer recorded as deferred revenue.

Trade payables

Our trade payables consist primarily of payables for purchase of school properties and teaching facilities as well as miscellaneous expenses collected from students, which are paid out by us to vendors on behalf of students. The credit period granted by suppliers on purchase of goods and provision of services generally ranged from 30 to 60 days.

The table below sets forth an aging analysis of our trade payables, presented based on the invoice date:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
0-30 days	3,607	3,424	5,349	122
31-90 days	217	132	104	133
91-365 days	178	2,026	2,943	3,551
>365 days	108	1,262	900	434
Total	4,110	6,844	9,296	4,240

Our trade payables amounted to RMB4.1 million, RMB6.8 million, RMB9.3 million and RMB4.2 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increases from 31 December 2014 to 31 December 2016 were primarily due to increases in payables in relation to our construction and renovation projects. The decrease from 31 December 2016 to 30 June 2017 was primarily because we settled substantial trade payables before the end of the 2016/2017 school year.

Other payables and accrued expenses

Our other payables and accrued expenses consist primarily of discretionary government subsidies received in advance, receipt in advance in respect of student related services, retention money payables, construction cost payables, advertising expense payable, other tax payables, accrued staff benefits and payroll, accrued listing expenses and other payables.

The table blow sets forth the breakdown of our other payables and accrued expenses:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Discretionary government subsidies receipt in advance	36,454	45,996	40,386	52,831
Receipt on behalf of ancillary services providers	58,999	66,471	74,990	72,696
Retention money payables	8,523	16,072	18,872	18,365
Construction cost payables	–	–	15,698	15,698
Advance from former related parties	–	–	–	36,318
Accrued staff benefits and payroll	24,914	19,258	21,917	11,034
Accrued listing expenses	–	–	–	6,839
Other payables and accruals	34,583	34,851	27,999	11,654
Other tax payables	4,658	5,592	7,822	7,373
Total	168,131	188,240	207,684	232,808

Our other payables and accrued expenses amounted to RMB168.1 million, RMB188.2 million, RMB207.7 million and RMB232.8 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to an increase of RMB9.5 million in discretionary government subsidies in advance, an increase of RMB7.5 million in receipt in advances in respect of student related services and an increase of RMB7.5 million in retention money payables. The increase from 31 December 2015 to 31 December 2016 was primarily due to an increase of RMB15.7 million in construction costs payables and an increase of RMB8.5 million in receipt in advances in respect of student related services. The increase from 31 December 2016 to 30 June 2017 was primarily due to (i) an increase of RMB36.3 million in advances from former related parties which consisted mainly amounts due to a subsidiary of Jiangxi Lantian Driving Training Centre Company Limited (江西藍天駕駛培訓中心有限公司) ("**Lantian Driving**"). Lantian Driving used to be controlled by Dr. Yu Kai during the Track Record Period but was sold to an Independent Third Party in May 2017; and (ii) an increase of RMB12.4 million in discretionary government subsidies in advance. We recorded receipt on behalf of ancillary services providers because we, on behalf of certain service providers, collected from the students certain ancillary service fees in the ordinary course of business, such as medical clinic fees and educational materials fees, which we would subsequently pay to the relevant service providers.

Current portion of amounts due to related parties

Current portion of amounts due to related parties were RMB19.4 million, RMB34.8 million, RMB38.5 million and RMB0.2 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, which represented amounts due to a subsidiary of Lantian Driving, a former related party. For more information of amounts due to related parties, see "– Related Party Transactions – Driving Training Services."

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operation and external borrowings. We had cash and cash equivalents of RMB332.1 million, RMB373.9 million, RMB247.1 million and RMB192.1 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. We generally deposit our excess cash in interest bearing bank accounts and invest in cash management products we purchased from banks.

During the Track Record Period, our principal uses of cash had been for the funding of required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, or the level of our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity.

Cash Flows

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

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Net cash from/(used in) operating activities	438,550	443,786	480,551	(152,406)	(74,369)
Net cash (used in)/from investing activities	(362,586)	(550,450)	(572,803)	(133,902)	40,138
Net cash (used in)/from financing activities	(5,788)	148,437	(34,469)	59,388	(20,773)
Increase/(decrease) in cash and cash equivalents	70,176	41,773	(126,721)	(226,920)	(55,004)
Cash and cash equivalents at beginning of the year/period	261,905	332,081	373,854	373,854	247,133
Cash and cash equivalents at the end of the year/period	332,081	373,854	247,133	146,934	192,129

Cash Flows from Operating Activities

We generate cash from operating activities primarily from tuition fees, all of which are typically paid before the relevant services are rendered. Tuition fees are initially recorded under deferred revenue. We recognise such amounts received as revenue proportionately over the relevant period of the applicable programme.

Net cash used in operating activities amounted to RMB74.4 million for the six months ended 30 June 2017, primarily attributable to a net increase in working capital of RMB316.9 million, partially offset by profit for the period of RMB200.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB60.1 million and other non-cash items. The increase in working capital was primarily attributable to a decrease in deferred revenue of RMB308.2 million as most prepaid tuition fees became recognised as revenue by 30 June of each school year.

Net cash from operating activities amounted to RMB480.6 million for the year ended 31 December 2016, primarily attributable to profit for the year of RMB412.5 million, partially offset by a net increase in working capital of RMB38.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB112.7 million and other non-cash items. The increase in working capital was primarily attributable to an increase in amount due from a related party of RMB47.2 million due to the increase in consultancy fees due from Baiyun Technician College, partially offset by an increase in other payables and accruals of RMB20.1 million.

Net cash from operating activities amounted to RMB443.8 million for the year ended 31 December 2015, primarily attributable to profit for the year of RMB348.3 million, partially offset by a net increase in working capital of RMB3.8 million, as adjusted to add back depreciation for property, plant and equipment of RMB89.1 million and other non-cash items. The increase in working capital was primarily attributable to an increase in amount due from a related party of RMB32.3 million due to the increase in consultancy fees due from Baiyun Technician College and a decrease in deferred revenue of RMB8.1 million, partially offset by an increase in other payables and accruals of RMB20.1 million.

Net cash from operating activities amounted to RMB438.6 million for the year ended 31 December 2014, primarily attributable to profit for the year of RMB309.5 million and a net decrease in working capital of RMB43.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB75.2 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in other payables and accruals of RMB53.3 million mainly due to the increase in rental, property management fee, advertising and promotion expenses and internet system maintenance fee, partially offset by a decrease of RMB7.5 million in deferred revenue.

Cash Flows from Investing Activities

Our expenditures for investing activities were primarily for placement of structured deposits, purchases of property, plant and equipment and advances to our Directors.

For the six months ended 30 June 2017, our net cash from investing activities was RMB40.1 million, primarily attributable to net withdrawal of structured deposits of RMB123.7 million, partially offset by payments for property, plant and equipment of RMB44.3 million and advance to our Directors of RMB23.1 million.

For the year ended 31 December 2016, our net cash used in investing activities was RMB572.8 million, primarily attributable to payments for property, plant and equipment of RMB285.2 million, net placement of structured deposits of RMB155.2 million and net advance to our Directors of RMB95.7 million.

For the year ended 31 December 2015, our net cash used in investing activities was RMB550.4 million, primarily attributable to payments for property, plant and equipment of RMB339.4 million and net advance to our Directors of RMB174.5 million.

For the year ended 31 December 2014, our net cash used in investing activities was RMB362.6 million, primarily attributable to payments for property, plant and equipment of RMB215.0 million and net advance to our Directors of RMB118.3 million.

Cash Flows from Financing Activities

Our expenditures for financing activities were primarily for the repayments of bank loans and payment of interest expense.

For the six months ended 30 June 2017, our net cash used in financing activities was RMB20.8 million, primarily attributable to net repayment of bank borrowings of RMB26.7 million and interest paid of RMB11.4 million.

For the year ended 31 December 2016, our net cash used in financing activities was RMB34.5 million, primarily attributable to interest paid of RMB26.9 million.

For the year ended 31 December 2015, our net cash from financing activities was RMB148.4 million, primarily attributable to net bank borrowings raised of RMB172.6 million, partially offset by interest paid of RMB24.5 million.

For the year ended 31 December 2014, our net cash used in financing activities was RMB5.8 million, primarily attributable to interest paid of RMB19.2 million.

Working Capital

We intend to finance our future working capital requirements with cash generated from our operations, external borrowings, the net proceeds from the Global Offering and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our school network and further increase the capacity of our existing schools.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, acquisition of suitable schools, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our schools and hiring additional teachers and other educational staff. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due and sufficient working capital to meet our present requirements for at least the next twelve months by taking into account our cash flow projection, repayment from related parties, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily related to maintaining and upgrading the existing school premises, construction of new buildings. Our capital expenditures consisted of the additions of property, plant and equipment and prepaid land lease payments. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our capital expenditures were RMB245.0 million, RMB353.9 million, RMB298.3 million, RMB135.9 million and RMB42.6 million, respectively. The following table sets forth the breakdown of our capital expenditures for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Property, plant and equipment	218,814	353,853	298,299	135,910	42,640
Prepaid land lease payments	26,158	–	–	–	–
Total	244,972	353,853	298,299	135,910	42,640

Currently, we or our schools own substantially all or a portion of the premises that each of our schools occupies. This asset-heavy model requires us to obtain the relevant land use right and expend significant amount of capital outlay in connection with the establishment of schools. Going forward, in additional to operating certain of our schools under this approach, we intend to collaborate with third party partners, including, among others, local governments, property developers and other public and private school operators, to set up new schools under the entrusted management model. Under such model, we expect potential third party partners to provide land use rights to the campus sites and build necessary school facilities that meet our standard and we will provide teachers and management support. We believe this transformation in our business model will likely result in less capital expenditure required for the acquisition of land and buildings in the future.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to acquisition of property, plant and equipment. The following table sets forth the breakdown of our capital commitments as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Commitment for acquisition of property, plant and equipment	42,684	73,693	16,435	21,774
Commitment for acquisition of prepaid lease payment	78,338	75,691	43,802	40,067
Total	121,022	149,384	60,237	61,841

Operating Lease Commitments

During the Track Record Period, we leased a number of buildings under operating leases. Leases for buildings were negotiated for various terms. Please see the section headed "Business – Properties – Leased Properties" for details. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Within one year	4,952	9,662	6,815	6,820
In the second to fifth year inclusive	20,773	26,966	25,040	23,742
Over five years	18,677	37,577	33,558	31,696
Total	44,402	74,205	65,413	62,258

INDEBTEDNESS

As of 31 October 2017, the latest practicable date for the purpose of our indebtedness statement, our indebtedness amounted to approximately RMB273.4 million (after taking into account of the indebtedness of Baiyun Technician College), which mainly included bank borrowings and other borrowings. Our bank borrowings and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises and advances provided by our Directors and related parties.

Our bank borrowings as of 31 December 2014, 2015 and 2016, 30 June 2017, and 31 October 2017, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 December			As of 30 June	As of 31 October
	2014	**2015**	**2016**	**2017**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Bank borrowings					
– Secured	226,000	206,370	240,700	108,000	83,000
– Unsecured	62,000	254,275	212,376	318,376	176,356
Total	288,000	460,645	453,076	426,376	259,356
Bank borrowings					
– Fixed rate	2,000	60,000	–	40,000	40,000
– Variable rate	286,000	400,645	453,076	386,376	219,356
Total	288,000	460,645	453,076	426,376	259,356
Carrying amount repayable:					
Bank borrowings					
Within one year	51,000	195,000	209,936	211,936	120,320
Between one and two years	69,000	113,205	106,920	135,920	89,670
Between two and five years	148,000	142,440	136,220	78,520	49,366
Over five years	20,000	10,000	–	–	–
Total	288,000	460,645	453,076	426,376	259,356

Our unsecured and unguaranteed other borrowings as of 31 December 2014, 2015 and 2016, 30 June 2017, and 31 October 2017, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 December			As of 30 June	As of 31 October
	2014	**2015**	**2016**	**2017**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Unsecured and unguaranteed other borrowings					
Amount due to a director	–	–	–	3,898	14,073
Amount due to a former related party	19,395	34,532	34,532	34,532	–
Amounts due to related parties	–	186	211	–	–
	19,395	34,718	34,743	38,430	14,073

We primarily borrow loans from banks to supplement our working capital and finance our expenditures. The bank borrowings and other borrowings as of 31 December 2014, 2015 and 2016, 30 June 2017, and 31 October 2017 were all denominated in Renminbi. As of 31 October 2017, our unutilised banking facilities amounted to approximately RMB258.3 million.

The table below sets forth the effective interest rates (per annum) of our bank borrowings as of the dates indicated:

	As of 31 December			As of 30 June	As of 31 October
	2014	**2015**	**2016**	**2017**	**2017**
Fixed	4.92%	6.77%	N/A	4.85%	4.85%
Variable					
Min	5.94%	4.64%	4.62%	4.64%	4.41%
Max	6.55%	6.15%	5.51%	5.51%	5.51%

During the Track Record Period, certain bank borrowings of our Group were secured over our tuition fee receivables and/or guaranteed by our subsidiaries and related parties. As confirmed by our Directors, as of the Latest Practicable Date, (i) all guarantees and pledges provided by our Group's related parties had been released; and (ii) we had certain bank borrowings in the aggregate amount of approximately RMB136.4 million secured by guarantees provided by Independent Third Parties and certain bank borrowings secured by pledges provided by Independent Third Parties, and such guarantees and pledges are expected to be released upon the Listing. For details of the loans to be repaid by the net proceeds from the Global Offering, see "Future Plans and Use of Proceeds – Use of Proceeds." Our Directors confirm that all of the other borrowings were unsecured, unguaranteed and interest-free.

Except as aforesaid and apart from intra-group liabilities, as of 31 October 2017, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of 30 June 2017, 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. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since 30 June 2017.

LISTING EXPENSES

We expect to incur a total of approximately RMB119.4 million of listing expenses (assuming an Offer Price of HK$6.44, being the mid-point of the indicative Offer Price range between HK$5.86 and HK$7.02, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB10.1 million were charged to profit and loss and approximately RMB3.0 million was capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB77.0 million to our profit or loss and to capitalise approximately RMB29.3 million. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ended 31 December 2017.

FINANCIAL RATIOS

	As of/for the year ended 31 December			As of/for the six months ended 30 June
	2014	**2015**	**2016**	**2017**
Net profit margin(1)	37.6%	42.8%	49.2%	47.6%
Adjusted Net Profit margin(2)	37.5%	42.1%	47.5%	48.1%
Gross profit margin(3)	50.3%	50.8%	53.0%	59.3%
Return on assets(4)	10.7%	10.5%	11.0%	10.4%
Return on equity(5)	17.2%	17.1%	16.8%	14.1%
Current ratio(6)	0.89	0.89	1.24	1.70
Gearing ratio(7)	16.0%	21.7%	17.9%	15.6%

Notes:

(1) Net profit margin equals our net profit from continuing operations for the year/period divided by revenue for the year/period.

(2) Adjusted Net Profit margin equals our adjusted net profit for the year/period divided by revenue for the year/period. For more information of our adjusted net profit, see the section headed "– Non-IFRS Measure – Adjusted Net Profit."

(3) Gross profit margin equals our gross profit for the year/period divided by revenue for the year/period.

(4) Return on assets equals net profit from continuing operations for the year/period divided by the total assets as of the end of the year/period. Return on assets for the six months ended 30 June 2017 was calculated using the profit for the six months ended 30 June 2017 adjusted on an annualised basis.

(5) Return on equity equals net profit from continuing operations for the year/period divided by the total equity amounts as of the end of the year/period. Return on equity for the six months ended 30 June 2017 was calculated using the profit for six months ended 30 June 2017 adjusted on an annualised basis.

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

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

Analysis of Key Financial Ratios

Net Profit Margin and Adjusted Net Profit Margin

Our net profit margin increased from 37.6% for the year ended 31 December 2014 to 42.8% for the year ended 31 December 2015, and further to 49.2% for the year ended 31 December 2016, but decreased slightly to 47.6% for the six months ended 30 June 2017. The increases in our net profit margin from 2014 to 2016 were primarily due to an increase in consultancy fees paid by Baiyun Technician College to us and improved operating efficiency, in particular our improved administrative efficiency. The decrease in the six months ended 30 June 2017 was primarily due to incurrence of listing expenses and decrease in other income from consultancy service in 2017. Our adjusted net profit margin was 37.5%, 42.1%, 47.5% and 48.1% for the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. The changes in our adjusted net profit margin were generally due to the same reasons for the changes in our net profit margin, except for the increase in our adjusted net profit margin in the six months ended 30 June 2017, which was primarily due to the adjustment of our listing expenses.

Gross Profit Margin

Our gross profit margin increased from 50.3% for the year ended 31 December 2014 to 50.8% for the year ended 31 December 2015, and then increased to 53.0% for the year ended 31 December 2016, and further increased to 59.3% for the six months ended 30 June 2017. The increases in our gross profit margin were primarily due to (i) our control of staff costs, which remained relatively stable and (ii) decreases in our educational maintenance and operational costs while our revenue experienced a modest growth during the Track Record Period.

Return on Assets

Our return on assets decreased from 10.7% for the year ended 31 December 2014 to 10.5% for the year ended 31 December 2015, primarily due to an increase in our total assets as a result of an increase in our buildings and facilities. Our return on assets then increased to 11.0% for the year ended 31 December 2016, primarily due to a strong growth in our profit from continuing operations. Our return on assets then decreased to 10.4% for the six months ended 30 June 2017, primarily due to a decrease in our annualised profit for the period as a result of the listing expenses incurred and a decrease in our other income from consultancy service.

Return on Equity

Our return on equity decreased from 17.2% for the year ended 31 December 2014 to 17.1% for the year ended 31 December 2015 and further to 16.8% for the year ended 31 December 2016. The decreases were primarily due to our increased retained earnings. Our return on equity further decreased to 14.1% for the six months ended 30 June 2017, primarily due to a decrease in our annualised profit for the period as a result of incurrence of listing expenses and a decrease in our other income from consultancy service in 2017.

Current Ratio

Our current ratio remained stable at 0.89 as of 31 December 2014 and 0.89 as of 31 December 2015, and then increased to 1.24 as of 31 December 2016, and further to 1.70 as of 30 June 2017. The increase from 31 December 2015 to 31 December 2016 was primarily due to an increase of RMB254.7 million in current portion of amounts due from Directors. The increase from 31 December 2016 to 30 June 2017 was primarily due to a decrease of RMB341.7 million in deferred revenue as most prepaid tuition fees became recognised as revenue by the end of a school year.

Gearing Ratio

Our gearing ratio increased from 16.0% as of 31 December 2014 to 21.7% as of 31 December 2015, primarily due to an increase of RMB172.6 million in bank borrowings. Our gearing ratio then decreased to 17.9% as of 31 December 2016 and further to 15.6% as of 30 June 2017, primarily due to an increase in our total equity attributable to our retained profit.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. The following is a discussion of our material related party transactions during the Track Record Period. For further detail about our related party transactions, see Notes 27 and 37 to the Accountants' Report in Appendix IA.

Advances to Directors

During the Track Record Period, we made advances to our Directors, Mr. Yu and Mr. Xie. As of 31 December 2014, 2015, 2016 and 30 June 2017, the total amounts due from such Directors were RMB177.6 million, RMB344.7 million, RMB446.0 million and RMB476.0 million, respectively. Such amounts due had been fully settled as of the Latest Practicable Date.

Consultancy Services

During the Track Record Period, we provided certain education consultancy services to Baiyun Technician College, which was wholly-owned by Mr. Xie. For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, the consultancy fees amounted to approximately RMB14.1 million, RMB32.3 million, RMB47.2 million and RMB5.3 million, respectively. As of 31 December 2014, 2015 and 2016 and 30 June 2017, amounts due from Baiyun Technician College were RMB50.2 million, RMB95.4 million, RMB165.6 million and RMB179.3 million, respectively. We obtained control of Baiyun Technician College in August 2017. See the section headed "History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College". Since then, Baiyun Technician College has become our subsidiary and no longer a related party of our Group.

Driving Training Services

During the Track Record Period, we cooperated with Lantian Driving, which was held as to 90% by Dr. Yu, and its subsidiary for the provision of certain driving training services to the students of Jiangxi University of Technology. In consideration of Lantian Driving and its subsidiary providing, among other things, discounts, internship opportunities and practical training for the benefit of the students of Jiangxi University of Technology, we provided Lantian Driving and its subsidiary the right to use certain land, buildings, properties and other plant and equipment held by Jiangxi University of Technology in connection with the driving training services provided to students of Jiangxi University of Technology. As of 31 December 2014, 2015 and 2016, we had amounts due to a subsidiary of Lantian Driving of RMB19.4 million, RMB34.5 million and RMB34.5 million on account of buildings constructed by it on certain land owned by us. We received donation income from Lantian Driving in the amount of RMB1.0 million for the year ended 31 December 2015 to provide financial assistance and scholarships to our students. In May 2017, Dr. Yu disposed all of his interest in Lantian Driving to an Independent Third Party. Thereafter, Lantian Driving and its subsidiary became Independent Third Parties. In May 2017, and since then our transactions with Lantian Driving and its subsidiary will not constitute connected transactions for the purpose of Chapter 14A of the Listing Rules.

Our Directors believe that each of the related party transactions set out in the Accountants' Report in Appendix IA was conducted on an arm's length basis. Our Directors are 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, except that the imputed interest income from amounts due from directors and the imputed interest expenses from amounts due to related parties, both are non-cash items, had certain impacts on our track record results. We have presented a non-IFRS measure, Adjusted Net Profit, to indicate our track record results free of the effects of, among other things, those two non-cash items. For more information of our adjusted net profit, see "– Non-IFRS Measure – Adjusted Net Profit."

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

Market Risk

Interest Rate Risk

Our fair value interest rate risk relates primarily to our fixed-rate borrowings. We are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and variable-rate bank borrowings. Cash flow interest rate risk for some of our borrowings is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China. It is our policy to keep certain borrowings at floating rate of interests so as to minimise the fair value interest rate risk. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. However, our Directors will consider hedging significant interest rate risk should the need arise.

If interest rates had been 10 basis points (for bank balances) and 50 basis points (for bank borrowings) higher/lower and all other variables were held constant, our post-tax profit for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 would decrease/increase by RMB823,000, RMB1,222,000, RMB1,514,000 and RMB1,305,000, respectively. This is mainly attributable to our exposure to interest rates on our bank balances and bank borrowings with variable rate.

Other Price Risk

We are exposed to equity price risk through our investments in listed equity securities. Our management manages this exposure by maintaining a portfolio of investments with different risks. Our equity price risk is mainly concentrated on equity instruments operating in different industry sectors quoted on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. We will consider hedging the risk exposure should the need arise.

If the prices of the respective equity investments had been 5% higher/lower, our post-tax profit for the years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017 would increase/decrease by RMB455,000, RMB385,000, RMB276,000 and RMB256,000, respectively, as a result of the changes in fair value of held-for-trading investments.

Credit Risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in our consolidated statements of financial position.

In order to minimise the credit risk on other receivables, amounts due from related parties and amounts due from directors, our Directors confirm that our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables. In addition, the credit risk on amounts due from related parties and directors are relatively low as we can closely monitor the repayment of the related parties.

The credit risk on available-for-sale investments, structured deposits and bank balances is limited because the counterparties are reputable financial institutions.

Liquidity Risk

As of 31 December 2014 and 2015, we recorded net current liabilities of RMB92.8 million and RMB118.8 million, respectively. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection, repayment from related parties, unutilised bank facilities, and our future capital expenditure in respect of our non-cancellable capital commitments.

Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the foreseeable future by taking into account our cash flow projection, repayment from related parties, unutilised bank facilities and our future capital expenditure in respect of our non-cancellable capital commitments, our Directors consider that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Historical Financial Information has been prepared on a going concern basis.

In managing our liquidity risk, we monitor and maintain levels of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We rely on bank loans as a significant source of liquidity.

For further details about our liquidity risk, see Note 32(b)(ii) to the Accountants' Report in Appendix IA.

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 30 June 2017.

DIVIDEND POLICY

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 consolidated affiliated entities, which are incorporated in the PRC. Our consolidated affiliated entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of net income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Sponsor of each of our schools does not require reasonable returns.

Except for that, we do not have any other dividend policy. 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 relevant laws. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending 31 December 2018. 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.

No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests as of 30 September 2017 as valued by Cushman & Wakefield, an independent property valuation firm, was RMB52.5 million. The text of its letter and valuation certificate are set out in the Property Valuation Report as set forth in Appendix III to this document.

The following table presents the reconciliation of the net book value of the relevant property interests, as of 30 June 2017 to their market value as of 30 September 2017 attributed by Cushman & Wakefield as stated in the valuation certificate in the Property Valuation Report as set forth in Appendix III to this document:

	(RMB'000)
Net book value of the following properties as of 30 June 2017:	
Deposits paid for prepaid lease payments	66,130
Buildings and construction in progress included in property, plant and equipment	2,129,817
Prepaid lease payments	57,205
Less: Property interests without commercial value	(2,228,302)
Less:	
Depreciation and amortisation for the three months ended 30 September 2017	(131)
Valuation surplus	27,751
Valuation as of 30 September 2017	52,470

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 30 June 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since 30 June 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix IA.

FINANCIAL INFORMATION OF BAIYUN TECHNICIAN COLLEGE

Summary Results of Operations of Baiyun Technician College

We obtained control of Baiyun Technician College on 14 August 2017.

The following is a discussion of Baiyun Technician College's results of operations for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

Consolidated Income Statements

The following table presents the consolidated statements of comprehensive income of Baiyun Technician College for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, which are derived from, and should be read in conjunction with, the consolidated financial statements, including the notes thereto, included in the Accountants' Report of Baiyun Technician College set forth in Appendix IB.

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	151,745	163,778	179,566	88,647	89,762
Cost of revenue	(101,894)	(103,179)	(106,998)	(50,825)	(42,630)
Gross profit	49,851	60,599	72,568	37,822	47,132
Investment income	1,383	2,981	3,890	1,875	2,089
Other income	6,071	9,581	5,389	3,830	546
Other gains and losses	(68)	125	1,065	123	500
Selling expenses	(12,218)	(9,713)	(5,878)	(506)	(618)
Administrative expenses	(19,847)	(15,110)	(15,259)	(6,713)	(8,107)
Consultancy fee	(14,054)	(32,297)	(47,175)	(20,633)	(5,250)
Finance costs	(80)	(19)	(118)	(118)	–
Profit before taxation	11,038	16,147	14,482	15,680	36,292
Taxation	(153)	(185)	(119)	–	(27)
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Adjusted net profit[(1)]	9,610	13,182	10,561	13,861	34,207

Note:

(1) Adjusted net profit represents profit for the year/period excluding the effects of imputed interest income arising from amount due from Directors. Adjusted net profit is not a measure of performance under IFRS. As a non-IFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the level of Baiyun Technician College's net profit by eliminating a non-recurring item, namely imputed interest income. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the profit of Baiyun Technician College for the relevant year/period. See "– Non-IFRS Measure." The following table reconciles the adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

Discussion of Certain Key Income Statement Items

Revenue

Revenue of Baiyun Technician College is measured at the fair value of the amounts receivable for the education services that it provided in normal course of business, net of discounts, financial assistance and refunded tuition fees. Baiyun Technician College derives all of its revenue from tuition fees, boarding fees and practical activities. Baiyun Technician College recognises tuition fees and boarding fees proportionately over the relevant period of the applicable programmes. For the tuition fees information, see "Business – Our Schools – Tuition Fees and Boarding Fees". In the event a student leaves school during a school year, Baiyun Technician College has tuition fee refund policies in place. The tuition fees refunded each year during the Track Record Period accounted for less than 1% of Baiyun Technician College's revenue of such year. For a summary of Baiyun Technician College's tuition fee refund polices, see the section headed "Business – Our Schools – Tuition Fees and Boarding Fees."

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, Baiyun Technician College generated a total revenue of RMB151.7 million, RMB163.8 million, RMB179.6 million, RMB88.6 million and RMB89.8 million, respectively. The increases in revenue of Baiyun Technician College from 2014 to 2015 and from 2015 to 2016 were primarily due to increases in student enrolments. The revenue of Baiyun Technician College was relatively stable from the six months ended 30 June 2016 to the six months ended 30 June 2017. The following table sets forth a breakdown of Baiyun Technician College's revenue by income source for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Tuition fees	135,789	145,957	161,748	79,724	80,883
Boarding fees	13,329	14,825	14,789	7,407	7,370
Ancillary services	2,627	2,996	3,029	1,516	1,509
Total	151,745	163,778	179,566	88,647	89,762

Cost of revenue

Cost of revenue of Baiyun Technician College consists primarily of salary and social insurance, depreciation and amortisation, maintenance expenses and other expenses.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, cost of revenue of Baiyun Technician College amounted to RMB101.9 million, RMB103.2 million, RMB107.0 million, RMB50.8 million and RMB42.6 million, respectively. The increases from 2014 to 2015 and from 2015 to 2016 were in line with the increases in revenue. The decrease from the six months ended 30 June 2016 to the six months ended 30 June 2017 was primarily because Baiyun Technician College reduced its headcount by streamlining its administrative procedures.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, gross profit of Baiyun Technician College was RMB49.9 million, RMB60.6 million, RMB72.6 million, RMB37.8 million and RMB47.1 million, respectively, and gross profit margin of Baiyun Technician College was 32.9%, 37.0%, 40.4%, 42.7% and 52.5%, respectively. Baiyun Technician College had improved its gross profit margin during the Track Record Period primarily because it (i) achieved cost-savings on the purchase of materials used in delivering teaching and practical training courses to the students through the selection of, and negotiations with, its suppliers; (ii) implemented digitalised delivery of teaching and training courses to students, such as online learning through webinars and virtual reality simulated training, which were more cost-efficient than the traditional mode of delivery and enabled it to reduce the purchase of traditional teaching and training materials and streamline its administrative procedures to reduce headcount in teaching and administration; and (iii) re-designed certain of its courses to put greater weight on external practical training experience, resulting in the relevant students spending more time learning outside of, and requiring less academic resources from, the school. Our Directors expect that Baiyun Technician College will be able to sustain its gross profit margin by maintaining its cost structure going forward.

Investment Income

Investment income primarily consists of interest income from bank and imputed interest income from amounts due from related parties. Imputed interest income arose primarily from amounts due from Mr. Xie, a director of Baiyun Technician College, as a result of advances provided by Baiyun Technician College to Mr. Xie. As of the Latest Practicable Date, amounts due from Mr. Xie have been fully repaid. Due to the nature of the imputed interest income, it did not increase cash flow of Baiyun Technician College during the Track Record Period. For the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, investment income amounted to RMB1.4 million, RMB3.0 million, RMB3.9 million, RMB1.9 million and RMB2.1 million, respectively.

Other Income

Other income consists primarily of property management service fee income, government grant, academic administration income and certain other income. Other income of Baiyun Technician College increased from RMB6.1 million for the year ended 31 December 2014 to RMB9.6 million for the year ended 31 December 2015, primarily due to an increase of RMB1.9 million in government grants. It decreased to RMB5.4 million for the year ended 31 December 2016, primarily due to a decrease of RMB3.0 million in academic administration income resulting from the decreased demand for professional certifications from students. Other income of Baiyun Technician College decreased from RMB3.8 million for the six months ended 30 June 2016 to RMB0.5 million for the six months ended 30 June 2017, primarily due to a decrease of RMB2.0 million in government grants.

Selling Expenses

Selling expenses consist primarily of advertising expenses and recruitment expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, selling expenses of Baiyun Technician College were RMB12.2 million, RMB9.7 million, RMB5.9 million, RMB0.5 million and RMB0.6 million, respectively. The increases in selling expenses during the Track Record Period were primarily because the school gradually phased out advertisement on traditional media and devoted more resources in social media, which is more cost-effective.

Administrative Expenses

Administrative expenses primarily consist of salaries and other compensations paid to administrative staff of Baiyun Technician College, depreciation and amortisation of office buildings, equipment and software for general administrative purpose, utilities expenses and other administrative expenses. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, administrative expenses of Baiyun Technician College were RMB19.8 million, RMB15.1 million, RMB15.3 million, RMB6.7 million and RMB8.1 million, respectively. The decreases in administrative expenses from 2014 to 2015 was primarily due to a decrease in property management fee as Baiyun Technician College began to perform certain property management work by its own employees instead of contracting out. The increase from the six months ended 30 June 2016 to 30 June 2017 was primarily due to (i) an increase in maintenance expenses incurred as a result of additional maintenance works conducted on school buildings and facilities; and (ii) an increase in administrative staff costs as a result of payment of discretionary bonus.

Consultancy Fee

Consultancy fee consist primarily of the consultancy fee Baiyun Technician College paid to Jiangxi University of Technology for education consultancy services. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, consultancy fee of Baiyun Technician College was RMB14.1 million, RMB32.3 million, RMB47.2 million, RMB20.6 million and RMB5.3 million, respectively. Such consultancy services provided by Jiangxi University of Technology increased from 2014 to 2016 and decreased in 2017. For more details of the consultancy service provided by Jiangxi University of Technology to Baiyun Technician College and the fee arrangement, see the section headed "Business – Inter-school Cooperation."

Taxation

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 favourable tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exception treatment if the school sponsors of such schools do not require reasonable returns. Baiyun Technician College has elected to be a private school of which the sponsors do not require reasonable returns and has submitted income-tax exemption filings for its income generated from formal academic education service. Our Directors confirm that the relevant PRC local tax bureau is aware of the Enterprise Income Tax exemption treatment for Baiyun Technician College and Baiyun Technician College has not received any objection from the relevant PRC local tax bureau to the current and past tax treatment of Baiyun Technician College as of the Latest Practicable Date.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, income tax expenses of Baiyun Technician College were RMB0.2 million, RMB0.2 million, RMB0.1 million, nil and RMB27,000, respectively, primarily because a majority of its revenue falls within the income tax exemption scope.

In addition, according to Article 1 of Circular of the Ministry of Finance and the State Administration of Taxation on Education Tax Policies (Cai Shui [2004] No.39), income generated from the provision of academic educational services should be exempted from PRC Business Tax. Further, Circular on Comprehensively Promoting the Pilot Programme of the Collection of VAT in Lieu of Business Tax (Cai Shui [2016] No.36) states that, starting from 1 May 2016, academic educational services provided by schools engaged in academic education shall be exempted from VAT. As such, Baiyun Technician College is exempt from PRC Business Tax and VAT for its income generated from the provision of academic educational services during the Track Record Period.

As of the Latest Practicable Date, Baiyun Technician College did not have any disputes or unresolved tax issues with the relevant tax authorities.

Profit for the Year/Period

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, profit for the year/period of Baiyun Technician College was RMB10.9 million, RMB16.0 million, RMB14.4 million, RMB15.7 million and RMB36.3 million, respectively. Baiyun Technician College recorded a net loss of RMB1.3 million in the six months ended 31 December 2016, which is primarily because certain expenses are normally incurred in the second half of a given financial year, such as certain marketing expenses, staff benefits provided around the teacher's day of each year, labour union expenses and etc. For the six months ended 30 June 2017, Baiyun Technician College recorded a relatively high level of net profit of RMB36.3 million, primarily because Baiyun Technician College had paid a relatively lower level of consultancy fee to Jiangxi University of Technology. As the reputation, enterprise network and academic platform of Baiyun Technician College have become more established, Baiyun Technician College required less consultancy services, facilitation and cooperation projects from Jiangxi University of Technology.

Non-IFRS Measure

To supplement the consolidated financial statements of Baiyun Technician College, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate the financial performance of Baiyun Technician College by eliminating the impact of items that we do not consider indicative of the performance of its business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the consolidated results of operations of Baiyun Technician College in the same manner as they help our management and in comparing financial results across accounting periods and to those of its peer companies.

Adjusted Net Profit

Adjusted net profit eliminates the effect of a non-cash item, namely imputed interest income arising from amount due from Directors. The term adjusted net profit is not defined under IFRS. As a non-IFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the effect of imputed interest income on net profit of Baiyun Technician College. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact net profit of Baiyun Technician College for the relevant periods. The effects of imputed interest income arising from amount due from Directors that are eliminated from adjusted net profit are significant components in understanding and assessing the operating and financial performance of Baiyun Technician College. In light of the foregoing limitations for adjusted net profit, when assessing the operating and financial performance of Baiyun Technician College, you should not view adjusted net profit in isolation or as a substitute for the profit of Baiyun Technician College for the year/period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The following table reconciles the adjusted net profit of Baiyun Technician College for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit of Baiyun Technician College for the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, the adjusted net profit for the year/period of Baiyun Technician College was RMB9.6 million, RMB13.2 million, RMB10.6 million, RMB13.9 million and RMB34.2 million, respectively.

Net Current Assets and Liabilities

The following table sets forth the current assets and current liabilities of Baiyun Technician College as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
CURRENT ASSETS				
Deposits, prepayments and other receivables	17,519	22,118	21,816	22,448
Amounts due from related parties	17,540	16,226	89,872	92,766
Prepaid lease payments	185	185	185	185
Structured deposits	15,000	53,000	143,500	106,500
Bank balances and cash	37,796	44,761	6,078	41,315
TOTAL CURRENT ASSETS	88,040	136,290	261,451	263,214

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
CURRENT LIABILITIES				
Deferred revenue	95,096	111,744	116,403	70,350
Trade payables	2,325	2,022	1,423	1,121
Other payables and accrued expenses	26,067	32,352	42,155	34,107
Amounts due to related parties	73,383	118,944	169,301	181,265
Income tax payable	145	256	283	290
Bank borrowings	–	16,568	–	–
TOTAL CURRENT LIABILITIES	197,016	281,886	329,565	287,133
NET CURRENT LIABILITIES	(108,976)	(145,596)	(68,114)	(23,919)

As of 31 December 2014, 2015 and 2016 and 30 June 2017, Baiyun Technician College had net current liabilities of RMB109.0 million, RMB145.6 million, RMB68.1 million and RMB23.9 million, respectively. Baiyun Technician College had net current liabilities as of 31 December 2014, 2015 and 2016 and 30 June 2017 primarily because it recognised advanced payments of tuition fees and boarding fees received from students as deferred revenue (which were recorded as current liabilities) and utilised a portion of the cash from such payments to finance the construction of its school buildings and facilities (which were recorded as non-current assets). In addition, Baiyun Technician College had a greater net liabilities position as of 31 December 2014 and 2015, primarily because it had also utilised a portion of the cash from such payments to make advances to its related parties (which were recorded as non-current assets as such advances were not repayable within one year).

For current assets and current liabilities of the Group (including that of Baiyun Technician College, the control of which we obtained in August 2017) as of 31 October 2017, see the section headed "Financial Information – Financial Information of Our Group Comprising Two Schools During the Track Record Period – Net Current Assets and Liabilities".

Discussion of Key Balance Sheet Items

Deposits, prepayments and other receivables

Trade receivables, deposits, prepayments and other receivables consist primarily of staff advances, other deposits, receivables from education bureau and other receivables and prepayments.

The table blow sets forth the breakdown of deposits, prepayments and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Staff advances	–	–	–	1,305
Other deposits	213	1,363	597	597
Receivables from education bureau discretionary	15,908	19,262	20,605	19,360
Other receivables	858	957	374	940
Prepayments	540	536	240	246
Total	17,519	22,118	21,816	22,448

Deposits, prepayments and other receivables of Baiyun Technician College amounted to RMB17.5 million, RMB22.1 million, RMB21.8 million and RMB22.4 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to an increase of RMB3.4 million in receivables from the education bureaus, which were in connection with subsidies provided to rural students. The increase from 2014 to 2015 was due to an increase in students qualified to receive such subsidies. Deposits, prepayments and other receivables were relatively stable from 31 December 2015 to 31 December 2016 and then to 30 June 2017.

Current portion of amounts due from related parties

Current portion of amounts due from related parties were RMB17.5 million, RMB16.2 million, RMB89.9 million and RMB92.8 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, primarily in connection with advances made to Mr. Xie. Current portion of amounts due from related parties increased during the Track Record Period as additional advances were made and a greater proportion was classified as current assets.

Current portion of structured deposits

Current portion of structured deposits were RMB15.0 million, RMB53.0 million, RMB143.5 million and RMB106.5 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, and primarily include our investment in certain cash management products with unguaranteed rates of return issued by commercial banks in the PRC. The underlying financial instruments of the cash management products that we purchased might include listed shares, bonds, debentures, assets-backed securities, interbank deposits, money market funds, trust assets and receivables.

Bank balances and cash

Bank balance and cash were RMB37.8 million, RMB44.8 million, RMB6.1 million and RMB41.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, and were comprise of cash and short-term deposits held by Baiyun Technician College with an original maturity of three months or less.

Deferred revenue

Baiyun Technician College records tuition fees, board fees and ancillary service fees collected initially as a liability under deferred revenue and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. As a school year typically commences in September each year, amounts of deferred revenue as of each of these dates generally represented the amount of tuition fees, boarding fees, and ancillary services fees received but not yet recognised as revenue for the applicable school year.

Deferred revenue of Baiyun Technician College increased from RMB95.1 million as of 31 December 2014 to RMB111.7 million as of 31 December 2015 and RMB116.4 million as of 31 December 2016. The increase was primarily due to the increases in student enrolments of Baiyun Technician College as well as the raise in the level of tuition fees and boarding fees. Deferred revenue of Baiyun Technician College decreased from RMB116.4 million as of 31 December 2016 to RMB70.4 million as of 30 June 2017, primarily because towards the end of a school year, most of the prepaid tuition fees have been recognised as revenue and are no longer recorded as deferred revenue.

Trade payables

Trade payables of Baiyun Technician College consist primarily of payables for purchase of school properties and teaching facilities as well as miscellaneous expenses collected from the students, which are paid out by us to vendors on behalf of the students. The credit period granted by suppliers on purchase of goods and provision of services generally ranged from seven to 30 days. Trade payables of Baiyun Technician College amounted to RMB2.3 million, RMB2.0 million, RMB1.4 million and RMB1.1 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Other payables and accrued expenses

Other payables and accrued expenses of Baiyun Technician College consist primarily of other tax payable, deposits received, accrued staff benefits and payroll, and other payables and accruals.

The table below sets forth the breakdown of other payables and accrued expenses:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Accrued staff benefits and payroll	14,090	12,972	25,952	14,806
Deposits received	2,571	1,203	985	365
Other payables and accruals	9,057	17,441	14,049	18,204
Other tax payables	349	736	1,169	732
Total	26,067	32,352	42,155	34,107

Other payables and accrued expenses of Baiyun Technician College amounted to RMB26.1 million, RMB32.4 million, RMB42.2 million and RMB34.1 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The increase from 31 December 2014 to 31 December 2015 was primarily due to an increase in other payables and accruals as a result of an increase in payables relating to teaching materials. The increase from 31 December 2015 to 31 December 2016 was primarily due to an increase in accrued staff benefits and payroll as a result of salary raises in 2016. The decrease from 31 December 2016 to 30 June 2017 was primarily due to a decrease in accrued staff benefits and payroll because of a reduction in staff headcount as the school streamlined its operations.

Current portion of amounts due to related parties

Current portion of amounts due to related parties were RMB73.4 million, RMB118.9 million, RMB169.3 million and RMB181.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, which primarily represented amounts due to our Group and our Controlling Shareholders. The increases from 31 December 2014 to 31 December 2015 and 2016 and then to 30 June 2017 were primarily due to (i) general increases in payables to Guangdong Baiyun University relating to certain tuition fees collected by Baiyun Technician College on behalf of Guangdong Baiyun University and (ii) general increases in amounts due to Jiangxi University of Technology arising from consultancy services provided by Jiangxi University of Technology to Baiyun Technician College.

Liquidity and Capital Resources

During the Track Record Period, Baiyun Technician College funded its cash requirements principally from cash generated from our operation and external borrowings. Baiyun Technician College had cash and cash equivalents of RMB37.8 million, RMB44.8 million, RMB6.1 million and RMB41.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Baiyun Technician College generally deposits excess cash in interest bearing bank accounts and invest in cash management products we purchased from banks.

During the Track Record Period, principal uses of cash by Baiyun Technician College had been for the funding of required working capital and other recurring expenses to support the expansion of its operations.

Cash flows

The following table sets forth a summary of cash flows of Baiyun Technician College for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Net cash from/(used in) operating activities	63,577	84,687	93,011	1,489	(6,824)
Net cash (used in)/from investing activities	(56,736)	(107,492)	(117,611)	(11,415)	34,832
Net cash from/(used in) financing activities	21,583	29,770	(14,083)	(16,686)	7,229
Increase/(decrease) in cash and cash equivalents	28,424	6,965	(38,683)	(26,612)	35,237
Cash and cash equivalents at beginning of the year/period	9,372	37,796	44,761	44,761	6,078
Cash and cash equivalents at the end of the year/period	37,796	44,761	6,078	18,149	41,315

Cash Flows from Operating Activities

Baiyun Technician College generates cash from operating activities primarily from tuition fees, all of which are typically paid before the relevant services are rendered. Tuition fees are initially recorded under deferred revenue. Baiyun Technician College recognises such amounts received as revenue proportionately over the relevant period of the applicable programme.

Net cash used in operating activities amounted to RMB6.8 million for the six months ended 30 June 2017, primarily attributable to release of deferred revenue of RMB46.1 million, partially offset by profit for the period of RMB36.3 million, as adjusted to add back depreciation for property, plant and equipment of RMB9.7 million and other non-cash items.

Net cash from operating activities amounted to RMB93.0 million for the year ended 31 December 2016, primarily attributable to profit for the year of RMB14.5 million and a decrease in working capital of RMB61.9 million, as adjusted to add back depreciation for property, plant and equipment of RMB21.4 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in deferred revenue of RMB4.7 million and an increase in amounts due from related parties of RMB47.8 million.

Net cash from operating activities amounted to RMB84.7 million for the year ended 31 December 2015, primarily attributable to profit for the year of RMB16.1 million and a decrease in working capital of RMB50.4 million, as adjusted to add back depreciation for property, plant and equipment of RMB21.1 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in deferred revenue of RMB16.6 million and an increase in amounts due from related parties of RMB32.3 million.

Net cash from operating activities amounted to RMB63.6 million for the year ended 31 December 2014, primarily attributable to profit for the year of RMB11.0 million and a decrease in working capital of RMB33.8 million, as adjusted to add back depreciation for property, plant and equipment of RMB19.8 million and other non-cash items. The decrease in working capital was primarily attributable to an increase in deferred revenue of RMB10.8 million and an increase in amounts due from related parties of RMB14.2 million.

Cash Flows from Investing Activities

Expenditures of Baiyun Technician College primarily included placement of structured deposits, purchases of property, plant and equipment and advances to directors.

For the six months ended 30 June 2017, net cash from investing activities was RMB34.8 million, primarily attributable to net withdrawal of structured deposits of RMB37.7 million.

For the year ended 31 December 2016, net cash used in investing activities was RMB117.6 million, primarily attributable to net placement of structured deposits of RMB89.3 million, payments for property, plant and equipment of RMB19.0 million, and net advance to related parties of RMB9.4 million.

For the year ended 31 December 2015, net cash used in investing activities was RMB107.5 million, primarily attributable to net advance to related parties of RMB40.4 million, net placement of structured deposits of RMB34.7 million and payments for property, plant and equipment of RMB32.6 million.

For the year ended 31 December 2014, net cash used in investing activities was RMB56.7 million, primarily attributable to payments for property, plant and equipment of RMB22.5 million, net advance to related parties of RMB19.4 million and net placement of structured deposits of RMB15.0 million.

Cash Flows from Financing Activities

Baiyun Technician College's expenditures for financing activities were primarily for repayment of bank borrowings, and its cash inflows from financing activities were primarily from advances from related parties.

For the six months ended 30 June 2017, net cash from financing activities was RMB7.2 million, primarily attributable to net advances from related parties of RMB7.2 million.

For the year ended 31 December 2016, net cash used in financing activities was RMB14.1 million, primarily attributable to net repayment of bank borrowings of RMB16.6 million.

For the year ended 31 December 2015, net cash from financing activities was RMB29.8 million, primarily attributable to net advances from related parties of RMB13.2 million and proceeds from bank borrowings of RMB16.6 million.

For the year ended 31 December 2014, net cash from financing activities was RMB21.6 million, primarily attributable to net advances from related parties of RMB21.7 million.

Indebtedness

As of 31 October 2017, the latest practicable date for the purpose of the indebtedness statement of our Group, the indebtedness of Baiyun Technician College was included in the indebtedness of our Group.

Bank loans and other borrowings of Baiyun Technician College consisted of short-term working capital loans to supplement its working capital and finance its expenditure. Bank borrowings of Baiyun Technician College as of 31 December 2014, 2015 and 2016 and 30 June 2017 were nil, RMB16.6 million, nil and nil. Our other borrowings consisted of amounts due to related parties, which amounted to RMB59.2 million, RMB72.5 million, RMB75.1 million and RMB82.3 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

The table below sets forth the effective interest rates (per annum) of bank borrowings of Baiyun Technician College as of the dates indicated:

	As of 31 December			As of 30 June
	2014	**2015**	**2016**	**2017**
Fixed-rate	N/A	4.88%	N/A	N/A

During the Track Record Period, bank borrowings of Baiyun Technician College were secured over its receivables and also guaranteed by Mr. Xie. All of the other borrowings were unsecured, unguaranteed and interest-free.

Save as disclosed above, as of 30 June 2017, Baiyun Technician College did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Contingent Liabilities

As of 30 June 2017, Baiyun Technician College did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against it. The directors of Baiyun Technician College have confirmed that there has not been any material change in the contingent liabilities of Baiyun Technician College since 30 June 2017.

Off-Balance Sheet Commitments and Arrangements

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

Disclosure Required under Chapter 13 of the Listing Rules

The directors of Baiyun Technician College 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

The directors of Baiyun Technician College confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position of Baiyun Technician College since 30 June 2017 (being the date on which the latest audited consolidated financial information of Baiyun Technician College was prepared) and there is no event since 30 June 2017 which would materially affect the information shown in the consolidated financial statements of Baiyun Technician College included in the Accountants' Report in Appendix IB.

Accounting Policy Relating to Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Accounting Policy Relating to Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on intangible assets below).

Accounting Policies Relating to the Impairment of Goodwill and Intangible Assets

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

With respect to intangible assets other than goodwill, at the end of the reporting period, the Group reviews the carrying amounts of its intangible assets with definite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with infinite useful lives and intangible assets not yet available for use are tested for impairment at least annually or whenever there is an indication that they may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Valuation of Pro Forma Goodwill and Pro Forma Intangible Assets of Baiyun Technician College

We have applied the acquisition method in accordance with IFRS 3 "Business Combinations" to account for our obtaining control of Baiyun Technician College as if such control had been obtained on 30 June 2017. We recognised pro forma goodwill of RMB344 million as a result of our obtaining control of Baiyun Technician College, which was calculated by subtracting carrying amount of identifiable net assets acquired (RMB234.0 million) and pro forma fair value adjustment to intangible assets (RMB229.3 million) from the cash consideration for our obtaining control of Baiyun Technician College (RMB750.0 million) to be paid by us and then adding back deferred tax liability arising from pro forma fair value adjustment to intangible assets (RMB57.3 million).

The pro forma fair value adjustments to intangible assets are mainly related to the recognition, on a pro forma basis, of brand name and student roster of Baiyun Technician College.

The pro forma fair value of brand name, representing the trademark "白雲技校" owned by Baiyun Technician College, is RMB199,326,000. It is estimated by applying the Relief from Royalty Method. The key assumptions used in estimating the pro forma fair value of brand name were as follows:

- discount rate of 16%;
- royalty rate of 15%;
- an indefinite economic life, as we intend to continuously renew the brand name with minimal cost and do not foresee any impediment to such renewals, and we expect that the brand name will continue to generate net cash inflows for Baiyun Technician College in the future;
- projected tuition fees attributable to the brand name amounting to approximately RMB828.5 million during a forecast period of five years; and
- steady revenue growth of 3% beyond the forecast period.

The pro forma fair value of student roster is RMB29,960,000. It is estimated by applying the Multi-Period Exceed Earning Method. The key assumptions used in estimating the pro forma fair value of student roster were as follows:

- discount rate of 18%;
- expected economic life of approximately four years; and
- projected revenue attributable to the student roster amounting to approximately RMB192.6 million during the expected economic life.

Obtaining control of Baiyun Technician College resulted in pro forma goodwill primarily because of the benefits in connection with the expected synergies and the assembled workforce of Baiyun Technician College. These benefits are not recognised separately from pro forma goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The deferred tax liability relating to the pro forma fair value of intangible assets amounted to approximately RMB57.3 million, which is calculated at the People's Republic of China Enterprise Income Tax rate of 25% based on the difference between the carrying amount and the corresponding tax bases of intangible assets recognised amounting to approximately RMB229.3 million.

Our Directors have assessed whether there is any impairment on the pro forma intangible assets and pro forma goodwill arising from our obtaining control of Baiyun Technician College as of 30 June 2017 in accordance with IAS 36 "Impairment of Assets" and concluded that there is no impairment in respect of the pro forma intangible assets with indefinite useful life (i.e. brand name) and goodwill of the enlarged group as of 30 June 2017. The recoverable amount of the cash generating unit comprising these pro forma intangible assets and goodwill is determined based on value in use calculation. That calculation uses cash flow projections based on a five-year financial budgets approved by the management of Baiyun Technician College. Key assumptions of the value in use calculations are related to the estimation of cash inflows or outflows and include discount rate, growth rate of salary costs of teachers, growth rate of student number and growth rate of tuition fees. Such estimation is based on the unit's past performance and the management's expectations for the market development. An increase by 10% in the discount rate would result in the aggregate carrying amount to exceed its corresponding recoverable amount (up to approximately RMB75 million); save for this scenario, the management of the Group believes that any reasonably possible change in any of the other assumptions would not cause the aggregate carrying amount to materially exceed the recoverable amount.

As of 14 August 2017 (the date on which we obtained control of Baiyun Technician College), we recognised approximately RMB324.8 million and RMB249.2 million as the actual fair values of the goodwill and intangible assets, respectively. As the fair values of the assets acquired and liabilities recognised on 14 August 2017 and the relevant deferred tax impact were provisionally determined with reference to a preliminary professional valuation conducted by an independent valuer that has yet to be finalised, the aforementioned fair values are potentially subject to further change.

Sensitivity Analysis of Assessment of Impairment on Goodwill and Intangible Assets

This sensitivity analysis is for illustrative purposes only and is hypothetical in nature. This sensitivity analysis only shows the potential impact on the recoverable amount of the cash generating unit comprising goodwill and intangible assets as at 31 October 2017 if the relevant variables increased or decreased to the extent illustrated and we assume that all other variables remain constant in performing this sensitivity analysis and does not consider the effects of all variables in totality. The actual recoverable amount is subject to the resultant effect of multiple variables and this sensitivity analysis only takes into account those that we consider particularly material. Also, in an actual scenario, it is unlikely that only one variable is subject to change while all other variables remain constant. For example, as illustrated below, a 10% or 20% decrease in the growth rate of student number would result in an expected impairment; however, in an actual scenario, there may be other variables simultaneously having a positive effect on the recoverable amount that would, in totality, outweigh the negative effect of decrease in growth rate and result in nil impairment. We have performed an impairment assessment based on the operating conditions up to 31 October 2017 and determined that there was no impairment on goodwill and intangible assets.

The recoverable amount of the cash generating unit of Baiyun Technician College was calculated based on a value in use calculation. Such calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 17%. The cash flow from revenue of the cash generating unit of Baiyun Technician College beyond the five-year period is extrapolated using a steady revenue growth rate of 3%. Such growth rate is used based on the relevant industry growth forecasts and inflation. On the basis that the industry demand is expected to support the growth of the cash generating unit of Baiyun Technician College and its industry reputation, the management considers that such growth rate is reasonable. Other key assumptions underlying the value in use calculations relate to the estimation of cash inflows/outflows, including growth rate of salary costs of teachers (base case: 2% increment on each of 1 January 2018, 1 January 2019 and 1 January 2020), growth rate of student number (base case: 5% increment for each of the 2018/2019, 2019/2020 and 2020/2021 school years) and growth rate of tuition fees (base case: 13% increase for the 2018/2019 and 2020/2021 school years). The base cases for the growth rate of salary costs of teachers and the growth rate of tuition fees were estimated primarily based on the past performance of the cash generating unit of Baiyun Technician College. The base case for the growth rate of student number was estimated primarily based on management's expectations of business growth, taking into account of the expansion of the course offerings at Baiyun Technician College and Baiyun Technician College may benefit from increased academic resources and capacity at the Zhongluotan Land in the next two to three years to accommodate and enrol more students.

The assets acquired and liabilities recognised in the financial information for this acquisition have been determined provisionally. The professional valuation conducted by an independent valuer has not been finalised on the date when the financial information is authorised for issue.

The following table sets forth a sensitivity analysis demonstrating the effect of variations in each of the key underlying assumptions in assessment of impairment on the recoverable amount of the cash generating unit comprising goodwill and intangible assets as at 31 October 2017.

	Recoverable amount of the cash generating unit comprising intangible assets and goodwill as at 31 October 2017	Carrying amount of the cash generating unit comprising intangible assets and goodwill as at 31 October 2017	Expected impairment
	(RMB)	*(RMB)*	*(RMB)*
Discount rate increase/(decrease) by			
10%	695,561,203	772,061,465	(76,500,262)
5%	731,716,503	772,061,465	(40,344,962)
0% (base case)	772,177,389	772,061,465	–
(5)%	817,777,962	772,061,465	–
(10)%	869,583,840	772,061,465	–
Growth rate of salary costs of teachers increase/(decrease) by			
20%	769,935,782	772,061,465	(2,125,683)
10%	771,056,915	772,061,465	(1,004,550)
0% (base case)	772,177,389	772,061,465	–
(10)%	773,297,204	772,061,465	–
(20)%	774,416,359	772,061,465	–
Growth rate of student number increase/(decrease) by			
20%	793,599,277	772,061,465	–
10%	782,848,103	772,061,465	–
0% (base case)	772,177,389	772,061,465	–
(10)%	761,586,835	772,061,465	(10,474,630)
(20)%	751,076,145	772,061,465	(20,985,320)
Growth rate of tuition fees increase/(decrease) by			
20%	795,219,733	772,061,465	–
10%	783,677,625	772,061,465	–
0% (base case)	772,177,389	772,061,465	–
(10)%	760,719,085	772,061,465	(11,342,380)
(20)%	749,302,773	772,061,465	(22,758,692)

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared by our Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of our Group attributable to owners of our Company as if the Global Offering had taken place on 30 June 2017.

The statement of unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group had the Global Offering been completed on 30 June 2017 or any future date.

The statement of unaudited pro forma adjusted consolidated net tangible assets of our Group is based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 derived from the Accountants' Report set out in Appendix IA, and adjusted as follows:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 per Share	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)(3)*	*(HK$)(4)*
Based on an Offer Price of HK$5.86 per Share	2,741,216	2,477,934	5,219,180	2.61	2.96
Based on an Offer Price of HK$7.02 per Share	2,741,216	2,976,693	5,717,909	2.86	3.24

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 are based on audited consolidated net assets of our Group attributable to the owners of our Company as of 30 June 2017 of approximately RMB2,741,216,000, as set out in Appendix IA.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$5.86 and HK$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses to be incurred by our Group (other than expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 per Share is calculated based on 2,000,000,000 Shares assuming that the Share Capital Reorganisation and the Global Offering had been completed on 30 June 2017, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by our Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V.

(4) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is converted from RMB into Hong Kong dollars at an exchange rate of RMB0.8821 to HK$1, which was the rate prevailing on 30 June 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 June 2017 to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2017.

We obtained control of Baiyun Technician College on 14 August 2017. Had the obtaining control of Baiyun Technician College and the Global Offering been completed as of 30 June 2017, the unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company per Share as at 30 June 2017 would have been presented as follows:

	Unaudited pro forma consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017	Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017 per Share	
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB)(3)*	*(HK$)(4)*
Based on an Offer Price of HK$5.86 per Share	2,167,853	2,477,934	4,645,787	2.32	2.63
Based on an Offer Price of HK$7.02 per Share	2,167,853	2,976,693	5,144,546	2.57	2.92

Notes:

(1) The unaudited pro forma consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017 are based on the unaudited pro forma consolidated net assets of the enlarged group attributable to the owners of the Company as at 30 June 2017 of approximately RMB2,741,216,000, after deduction of the pro forma fair value adjustment to intangible assets and goodwill amounting to approximately RMB229,286,000 and RMB344,077,000, respectively, as extracted from the "Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 June 2017" on page II-4 of Appendix II.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$5.86 and HK$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses to be incurred by the Group (other than

expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company per Share is calculated based on 2,000,000,000 Shares, expected to be in issue assuming that the Share Capital Reorganisation and the Global Offering had been completed on 30 June 2017, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this document.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the enlarged group attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at an exchange rate of RMB0.8821 to HK$1, which was the rate prevailing on 30 June 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited consolidated net tangible assets of the enlarged group attributable to owners of the Company as at 30 June 2017 to reflect any trading result or other transaction of the enlarged group entered into subsequent to 30 June 2017.

The decrease in the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017 per Share after taking into account of our obtaining control of Baiyun Technician College was because of the recognition of a significant amount of intangible assets and goodwill amounting to approximately RMB229,286,000 and RMB344,077,000, respectively, that were deducted from the net assets of the enlarged group in the calculation of the net tangible assets of the enlarged group.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the enlarged group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group had the obtaining of control of Baiyun Technician College and the Global Offering been completed on 30 June 2017 or any future date.