You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has 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 in "Risk Factors" in this document.

OVERVIEW

We are a leading private IT higher education service provider in China, focusing on nurturing IT professional talent to cater for the fast-growing demand for talent in China's software and IT service industry. Leveraging our two decades of experience and knowhow accumulated in the IT higher education industry and driven by our vision of becoming a leader in China providing digital education services, we have developed an education service ecosystem with full-time formal higher education services as our fundamental business; continuing education services, and education resources and apprenticeship programme as our two strategic businesses. We are supported by the reputation of Neusoft Corporation, the first software company listed on the Shanghai Stock Exchange (stock code: 600718), and are able to leverage Neusoft Corporation's expertise in software and IT services. We have strategically established three application-oriented universities in Dalian, Chengdu and Foshan and developed a comprehensive portfolio of IT related majors covering a wide range of industry sectors with a high demand for IT talent, such as computer science, electronic information, digital media, information management service, and healthcare technology. According to the Frost & Sullivan Report, we ranked the first in terms of the number of IT majors provided by China's private higher education institutions and the second in terms of the number of students enroled in IT majors among all private higher education institutions in China, for the 2018/2019 school year. After excluding independent colleges from the ranking, we ranked the first in terms of the number of students enroled in IT majors among all private higher education institutions in the 2018/2019 school year, according to the Frost & Sullivan Report. The number of students enroled in our full-time formal higher education programmes reached 36,066 for the 2019/2020 school year, of which approximately 16,053 were enroled in IT majors.

We primarily offer three types of services: (i) full-time formal higher education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme. Our full-time formal higher education services and continuing education services are operated by our three universities and our eight training schools. Our education resources and apprenticeship programme are offered by Dalian Education and a few of its subsidiaries, such as Shanghai Ruixiang and Tianjin Ruidao. Our revenue increased by 16.7% from RMB731.4 million for the year ended 31 December 2017 to RMB853.2 million for the year ended 31 December

2018 and further increased by 12.3% to RMB958.2 million for the year ended 31 December 2019. Our revenue decreased by 7.3% from RMB171.4 million for the three months ended 31 March 2019 to RMB158.9 million for the three months ended 31 March 2020. Our gross profit increased by 16.1% from RMB234.4 million for the year ended 31 December 2017 to RMB272.3 million for the year ended 31 December 2018 and further increased by 18.6% to RMB323.0 million for the year ended 31 December 2019. Our gross profit increased by 6.4% from RMB27.6 million for the three months ended 31 March 2019 to RMB29.4 million for the three months ended 31 March 2020. Our net profit increased by 14.3% from RMB143.2 million for the year ended 31 December 2017 to RMB163.7 million for the year ended 31 December 2018 and further increased by 6.9% to RMB175.0 million for the year ended 31 December 2019. Our net profit increased by 169.0% from RMB4.5 million for the three months ended 31 March 2019 to RMB12.2 million for the three months ended 31 March 2020.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in "History, Reorganisation and corporate structure — Reorganisation" in this document, our Company became the holding company of the companies and educational institutions now comprising our Group on 21 June 2019.

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the business carried out by our Group, our joint venture, the JV, has entered into the Contractual Arrangements with, among others, our Consolidated Affiliated Entities and their respective equity holders. The Contractual Arrangements enable the JV to exercise effective control over our Consolidated Affiliated Entities and obtain substantially all economic benefits from them. Details of the Contractual Arrangements are disclosed in "Contractual Arrangements" in this document.

Our Group comprising our Company and its subsidiaries (including our Consolidated Affiliated Entities) is regarded as a continuing entity. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period, and the consolidated statements of financial position of the Group as at those dates have been prepared as if the current group structure had been in existence throughout and at the end of the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising our Group where this is a shorter 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 2017 consistently throughout the Track Record Period.

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, Particularly IT Higher Education, in China

During the Track Record Period, we derived our revenue primarily from the provision of private higher education services through our universities in China. Therefore, our results of operations and financial condition are significantly affected by the demand for private higher education in China.

The key factors that drive the growth of private higher education in China primarily include increases in expenditure of urban households on education and demand for higher education, growing demand for technical talent, favourable government policies and regulations on private education, and increasing diversification and improved quality of private higher education. Our business has benefited from the growth of China's economy and the increasing expenditure of urban households on education. According to Frost & Sullivan, the overall economic growth and the increase in per capita GDP in China have increased the level of per capita expenditure on education, which increased from RMB624 in 2014 to RMB854 in 2018, representing a CAGR of 8.2% in the same period. According to the Frost & Sullivan Report, Chinese parents have been increasingly aware of the importance of children's education. This, together with the increasing PRC urban household income and wealth, has played a significant role in the growing demand for private higher education in China.

Despite the increases in expenditure of urban households on education and demand for higher education, the development of public educational resources in China, especially public higher education, is relatively limited and likely to uphold at a relatively stable pace, creating market opportunities for private higher education services. According to Frost & Sullivan, public higher education in China generally provides less training on technical skills and there is a significant lack of skilled and well-trained first-line technicians in China, such as in the software and IT service industries. The growth of China's software and IT service industry has stimulated demands for IT talent, especially talent with higher education background. Meanwhile, attractive salary provided in IT-related industries also attracts more students to choose IT higher education.

In addition, the Chinese government has issued a series of policies and regulations to encourage and promote the development of private education, such as encouraging private capital to flow into the education business and calling for equal treatment of private schools and public schools. We expect that these policies will further drive the development of the PRC private education industry. Additional favourable policies are likely to be introduced to further drive the development of the PRC private education market, according to the Frost & Sullivan Report.

With policy support from the Chinese government, private education groups have been continuously improving the education quality of their private higher education services in terms of expanded course offerings and increased level of specialisation, according to Frost & Sullivan. Such developments are expected to attract more people to choose private higher education services and drive the long-term growth of the market. See "Industry Overview" in this document for further details.

Student Enrolments

Our revenue generally depends on the number of students enroled in our universities. We believe our ability to maintain or increase our student enrolment primarily depends on, among other things, the reputation and capacity of our universities as well as the admission quotas received by our universities. Our three universities offer full-time formal higher education programmes and formal higher continuing education programmes, as well as non-formal higher continuing education programmes. During the Track Record Period, the total number of students enroled in our full-time formal higher education programmes increased from 34,014 in the 2016/2017 school year to 34,606 in the 2017/2018 school year, slightly decreased to 34,144 in the 2018/2019 school year and increased to 36,066 in the 2019/2020 school year. For further details on the student enrolment of programmes offered by our universities for the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, see "Business — Our services — Full-time formal higher education services" and "Business — Our services — Continuing education services — Formal higher continuing education programmes" in this document.

One of the most important factors that students and parents would consider when choosing schools to attend is the reputation of the schools. Our reputation is built on our ability to create decent employment opportunities for our students and the high employment rate of our students, which are attributable to our tailored and carefully designed practical curriculum and emphasis on career training. If we were not able to maintain and continue to enhance our reputation, we may not be able to maintain or increase our student enrolment level.

If we do not increase our school capacity in line with our student enrolment growth, the capacity of our universities may restrain our student enrolment. We plan to upgrade our existing school facilities and expand the campus of our universities and build more dormitories and other necessary facilities to accommodate additional students and drive the growth of our revenues. For further details on the capacities and utilisation rates of our universities for the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years and our expansion plans, see "Business — Our services — Full-time formal higher education services — School capacity and utilisation rate" and "Business — Campus facilities and services — Upgrade and expansion plans" in this document.

Our student enrolment may also be restrained by the admission quota we obtain from the competent PRC education authorities. In the future, we may apply for and obtain larger annual admission quota, taking into account of various factors, including the number of students applying for admission to our universities, our recruitment capability, the capacity of each university and our operating efficiency. For further details on the admission quota of our universities, see "Business — Student admission — Student admission quota" in this document.

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, among other fees, prior to the commencement of each school year. The tuition fees we charge are typically based on a number of factors, including the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our universities, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the regions where we operate our universities. For details of the fee requirements applicable to each of our universities and our tuition and boarding fee standards during the relevant school years, see “Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees” in this document.

We review our tuition fee rates from time to time and raise tuition fees to reflect our increasing operating costs, the improvements of our facilities and the changes in the market price for higher education services. Our tuition fee increase decisions depend on the market condition and other special circumstances we may encounter in the future. For instance, for the 2019/2020 school year, we increased tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University and Foshan University. The tuition fee and boarding fee rates for Chengdu University were previously subject to approval from relevant local government authorities. In May 2020, Sichuan province amended the approving requirements for tuition fee and boarding fee rates and private higher education institutions may determine the fee level on their own. Following the communication with the relevant government authority, we will also raise our tuition fees for bachelor degree programmes and junior college diploma programmes offered by Chengdu University in the near future. For those admitted students who did not complete their study with us or cannot enrol for the school year with us, we also have refund policies in compliance with PRC regulations and rules. See “Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees — Tuition fee and boarding fee policy” in this document. While we have successfully increased tuition fees at our universities during the Track Record Period and plan to raise the fees in the future, there is no guarantee we will be able to continue to maintain or raise tuition and boarding fee levels 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 and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels” in this document.

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 quality education quality and the strong demand for our services, we believe we will be able to optimise our pricing without compromising our competitive edges.

Our School Utilisation Rate

The utilisation rate of our universities’ facilities is also a key driver of revenue growth and gross margin. Utilisation rate of a given school for a given school year is generally calculated as the total number of students enroled in our full-time formal higher education programmes as of 31 August in each corresponding school year (except for the 2019/2020 school year, the cut-off date for which is 31 March 2020) divided by the school capacity for each corresponding school year. For more details about the utilisation rate of each of our universities, see “Business — Our services — Full-time formal higher education services — School capacity and utilisation rate” in this document.

Independent of the level of student enrolments in any given year, we incur a significant amount of fixed costs relating to the operation of our universities. If we enter new markets, we would expect a lower utilisation rate for schools in newly entered markets because it generally takes some period of time for us to build brand recognition and market our educational programmes in new geographic areas. If we expand our campus facilities at the schools we presently operate, our overall utilisation rate may decrease temporarily until we are able to enrol more students. Accordingly, a key driver of success is identifying the proper time to expand our capacity, either by entering new markets or by constructing additional space at existing facilities, and, following such expansion, quickly increase student enrolments.

Changes in Revenue Mix

We began to generate revenue from apprenticeship programme as part of our education resources and apprenticeship programme in 2017. Principally as a result of introducing apprenticeship programme, our revenue from education resources and apprenticeship programme and associated costs have increased significantly, thereby changing our revenue mix. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, the revenue generated from our education resources and apprenticeship programme amounted to RMB56.4 million, RMB121.5 million, RMB148.3 million and RMB20.8 million, respectively, which represented approximately 7.7%, 14.2%, 15.5% and 13.1% of our total revenue during the same periods, respectively.

Gross profit margins on apprenticeship programme are typically lower. As a result, the introduction of apprenticeship programme and the resultant shift in the mix of revenue sources has affected our overall gross margin. We expect our overall gross margin to increase as we optimise our revenue mix by maintaining or decreasing the portion of revenue from apprenticeship programme, which generally has a lower gross margin.

While we have experienced rapid growth in revenues from 2017 to 2019, there is no guarantee that we will be able to achieve such growth in the future. For more details, please see "Risk Factors — Risks relating to our business and our industry — Our historical financial and results of operations may not be indicative of our future performance and our financial and results of operations may be difficult to forecast" and "Risk Factors — Risks relating to our business and our industry — We may not be able to execute our growth strategies successfully or effectively, which may hinder our ability to capitalise on new business opportunities" in this document.

Ability to Control Our Cost of Revenue and Administrative Expenses

Our profitability also depends, in part, on our ability to control our cost of revenue and administrative expenses. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our cost of revenue represented approximately 67.9%, 68.1%, 66.3% and 81.5% of our total revenue, respectively. During these periods, employee benefit expenses were the largest component of our cost of revenue. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our employee benefit expenses amounted to RMB222.9 million, RMB305.0 million, RMB328.9 million and RMB65.7 million, respectively, representing approximately 30.5%, 35.8%, 34.3% and 41.3% of our total revenue, respectively. The increases were mainly attributable to the increase in the number of our employees. We expect our cost of revenue to increase in the future, primarily driven by expected overall growth of our business.

Our administrative expenses consists primarily of employee benefit expenses paid to our administrative staff. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our administrative expenses represented approximately 9.0%, 10.0%, 11.4% and 11.8% of our total revenue, respectively. Our administrative expenses may increase as we expand our business operations and become a public company.

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 judgements relating to accounting items. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including industry practises 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 the current circumstances, we do not expect our assumptions or estimates to change significantly in the future. When reviewing our Consolidated Financial Statements, you should consider (i) our critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our critical accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to the Accountant's Report in Appendix I to this document.

The adoption of IFRS9. (i) Classification and measurement of financial instruments: We assessed our business models and contractual terms of cash flows applying to the financial assets held by us during the Track Record Period under IFRS9. The classification of our financial instruments under IFRS9 and IAS39 are consistent. In addition, our financial assets measured at fair value through profit or loss or amortised cost under IAS39 will continue to be measured on the same basis under IFRS9. (ii) Impairment of financial assets: The new impairment guidance sets out an expected credit loss model applicable to receivables that are financial assets. The impact of applying the expected credit loss model to our trade and other receivables (excluding prepayments and value added tax recoverable that are not financial assets) is not material.

The adoption of IFRS15. IFRS15 requires separate presentation of contract liabilities in the consolidated statement of financial position. As of 31 December 2017, 2018, 2019 and 31 March 2020, contract liabilities of RMB411.8 million, RMB449.9 million, RMB489.4 million and RMB349.3 million, respectively, would have been presented as deferred revenue had IAS18 been applied throughout the Track Record Period. However, there is no impact to the net assets and net profit.

The adoption of IFRS16. The recognition of right of use asset and financial liability to pay rentals under IFRS16 would have been different had IAS17 been applied. See Note 16 and Note 28 to Accountant's Report in Appendix I to this document. However, the impact on the net assets and net profit is not material.

Based on the above analysis on the adoption of IFRS9, IFRS15 and IFRS16, we do not believe that the adoption of IFRS9, IFRS15 and IFRS16 has significant impact on our financial position and performance when compared to that of IAS39, IAS18 and IAS17 during the Track Record Period.

The following table sets out the impact of adopting IFRS16 on key ratios and financial position and performance of our Group. Based on our assessment, the adoption of IFRS16 has no impact on our banking covenants.

	As of/for the year ended 31 December			As of/for the three months ended 31 March
	2017	2018	2019	2020
Before adoption of IFRS 16				
Gross profit margin	31.6%	31.6%	33.6%	18.3%
Net profit margin	19.4%	19.4%	18.2%	7.6%
Return on assets	7.8%	8.9%	8.1%	0.4%
Return on equity	25.1%	28.2%	27.7%	1.6%
Current ratio	48.2%	43.1%	50.7%	48.9%
Gearing ratio(1)	101.6%	97.3%	139.8%	145.0%
Net debt to equity ratio(2)	48.8%	57.7%	61.0%	85.0%
Net assets (RMB’000)	629,063	542,624	714,495	757,874
Profit for the year/period (RMB’000)	142,070	165,427	174,008	12,051
After adoption of IFRS 16				
Gross profit margin	32.1%	31.9%	33.7%	18.5%
Net profit margin	19.6%	19.2%	18.3%	7.7%
Return on assets	7.5%	8.7%	8.0%	0.4%
Return on equity	25.4%	28.0%	27.9%	1.7%
Current ratio	47.5%	42.7%	50.5%	48.5%
Gearing ratio(3)	103.2%	107.0%	146.4%	152.5%
Net debt to equity ratio(4)	50.2%	67.4%	67.5%	92.4%
Net assets (RMB’000)	626,753	542,063	712,927	756,123
Profit for the year/period (RMB’000)	143,215	163,678	175,015	12,233

Notes:

(1) Gearing ratio equals total indebtedness (the sum of interest-bearing bank loans and other borrowings) as of the end of each year/period divided by our total equity as of the same date.

(2) Net debt to equity ratio equals total indebtedness (the sum of interest-bearing bank loans and other borrowings) net of cash and cash equivalents as of the end of each year/period, divided by our total equity as of the same date.

(3) Gearing ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) as of the end of each year/period divided by total equity as of the same date.

(4) Net debt to equity ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) net of cash and cash equivalents as of the end of each year/period, divided by total equity as of the same date.

Revenue from contracts with customers: Tianjin Ruidao and its subsidiaries made commitment in part of their contracts with certain cooperating universities or colleges that, if the students were unable to secure employment after completing the programme, Tianjin Ruidao and its subsidiaries would return half or all of the final-year tuition fee to these cooperating universities or colleges (such fees from these cooperating universities or colleges are referred to as the "**Committed Fees**"), which are considered as variable consideration. The terms of refund arrangement in relation to securing employment of the students are separately negotiated and agreed between Tianjin Ruidao group and the cooperating universities or colleges on a case by case basis. When negotiating a contract for provision of education resources with a cooperating university or college, Tianjin Ruidao group would agree with the cooperating university or college on (i) a target employment rate (normally within the range of 90% to 100%), and (ii) the refund amount if any student fail to secure employment after receiving the services provided by Tianjin Ruidao group, which would either be half or full of the final-year tuition fee of the unemployed students. There is no time bar for the refund arrangement. The cooperating universities or colleges would assess the employment rate of their graduates as of the graduation date. If the employment rate does not meet the agreed percentage, Tianjin Ruidao group shall refund the agreed amount to the relevant cooperating universities or colleges in accordance with the contract terms. Upon contract inception date and at the end of 31 March 2020, Tianjin Ruidao and its subsidiaries estimated and reassessed that it was highly probable that they can meet the commitment to provide employment to the students who have completed the programmes and a significant reversal in the amount of cumulative revenue recognised would not occur, therefore Tianjin Ruidao recognised the Committed Fees together with the rest of the tuition fee received from the cooperating universities or colleges as revenue proportionately over the period of service provision. See note 2.20 to the Accountant's Report in the Appendix I to this document for more information.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table presents a summary of our consolidated statements of comprehensive income for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, which are derived from, and should be read in conjunction with, our Consolidated Financial Statements, including the notes thereto, included in the Accountant's Report of our Group set forth in Appendix I to this document.

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** (Unaudited)	**(RMB'000)**
Revenue	731,390	853,167	958,228	171,394	158,867
Cost of revenue	(496,958)	(580,884)	(635,226)	(143,760)	(129,464)
Gross profit	**234,432**	**272,283**	**323,002**	**27,634**	**29,403**
Selling expenses	(9,190)	(10,588)	(11,239)	(1,901)	(3,590)
Administrative expenses	(65,854)	(85,252)	(109,185)	(20,042)	(18,727)
Research and development expenses	(24,019)	(19,819)	(20,445)	(6,131)	(3,980)
Other income	74,405	65,807	71,534	15,390	17,319
Other expense	(19,008)	(19,206)	(18,936)	(4,202)	(4,280)
Other gains	6,084	4,346	944	666	939
Operating profit	**196,850**	**207,571**	**235,675**	**11,414**	**17,084**
Finance income	1,041	1,973	3,387	596	891
Finance expenses	(36,308)	(38,539)	(40,094)	(9,353)	(9,413)
Profit before income tax	**161,583**	**171,005**	**198,968**	**2,657**	**8,562**
Income tax (expense)/credit	(18,368)	(7,327)	(23,953)	1,890	3,671
Profit for the year/period	**143,215**	**163,678**	**175,015**	**4,547**	**12,233**
Attributable to owners of the Company	114,818	131,991	139,213	3,661	9,706
Attributable to non-controlling interests	28,397	31,687	35,802	886	2,527
Non-IFRS measure:					
Adjusted Net Profit[(1)]	143,215	173,042	195,743	8,082	13,596
Attributable to owners of the Company	114,818	141,355	159,941	7,196	11,069

Note:

(1) Adjusted Net Profit represents profit for the year/period plus the expenses in relation to the Listing. The use of 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" in this section.

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. Adjusted Net Profit eliminates the effect of certain non-recurring expense item, namely the expenses relating to the Listing. The term "Adjusted Net Profit" is not defined under IFRS. The use of 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 years/periods. 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 such non-IFRS measure provide 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.

In light of the limitations for Adjusted Net Profit, when assessing our operating and financial performance, you should not view 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/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Profit for the year/period	143,215	163,678	175,015	4,547	12,233
Add:					
Listing expenses	—	9,364	20,728	3,535	1,363
Adjusted Net Profit	**143,215**	**173,042**	**195,743**	**8,082**	**13,596**
Attributable to owners of the Company	114,818	141,355	159,941	7,196	11,069

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue represents the value of services rendered during the Track Record Period. We derive revenue mainly from tuition fees and boarding fees that our universities collect from students. We generally require students to pay tuition fees and boarding fees for the entire school year prior to the commencement of each school year. We recognise tuition fees and boarding fees as revenue proportionately over the terms of the applicable programme. For detailed information on the tuition fees and boarding fees, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document. In the event an admitted student leaves school during a school year or cannot enrol for the school year, we have tuition fees and boarding fees refund policies in place at our universities. The tuition fees and boarding fees refunded each year from 2017 to 2019 accounted for less than 1% of our revenue of the relevant year. The boarding fees to be refunded to our students for the year ending 31 December 2020 may be over 1% of our revenue for the same year as we have decided to refund certain portion of our total boarding fees received for the 2019/2020 school year to our students. For a summary of our refund policies, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees — Tuition fee and boarding fee policy" in this document. For detailed information on the impact of COVID-19, see "Business — Impact of COVID-19 on our business operations" in this document.

For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, we generated a total revenue of RMB731.4 million, RMB853.2 million, RMB958.2 million and RMB158.9 million, respectively. During the Track Record Period, we derived a majority of our revenue through the provision of full-time formal higher education services consisting of tuition fees and boarding fees. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, tuition fees were RMB577.8 million, RMB610.2 million, RMB666.5 million and RMB112.5 million, respectively, representing 79.0%, 71.5%, 69.6% and 70.8% of our total revenue, respectively. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, boarding fees were RMB48.2 million, RMB59.0 million, RMB64.1 million and RMB11.2 million, respectively, representing 6.6%, 6.9%, 6.7% and 7.1% of our total revenue, respectively. Furthermore, we generated revenue from rental of telecommunication device. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, such revenue amounted to RMB5.4 million, RMB3.9 million, RMB2.9 million and RMB0.4 million, respectively.

During the Track Record Period, we also derived revenue through provision of continuing education services. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our continuing education services revenue amounted to RMB43.6 million, RMB58.6 million, RMB76.4 million and RMB13.9 million, respectively, representing 6.0%, 6.9%, 8.0% and 8.8% of our total revenue, respectively.

In addition, we derived revenue through the provision of education resources and apprenticeship programme. A majority of such revenue was generated from apprenticeship programme. For detailed information on our education resources and apprenticeship programme, see "Business — Our services — Education resources and apprenticeship programme" in this document. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, these revenues amounted to RMB56.4 million, RMB121.5 million, RMB148.3 million and RMB20.8 million, respectively, representing 7.7%, 14.2%, 15.5% and 13.1% of our total revenue, respectively.

The following table sets forth the components of our total revenue by revenue source in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000) (Unaudited)		(RMB'000)	
Full-time formal higher education services										
Tuition fees	577,831	79.0	610,153	71.5	666,490	69.6	103,836	60.6	112,522	70.8
Boarding fees	48,209	6.6	58,988	6.9	64,054	6.7	15,575	9.1	11,232	7.1
Rental income of telecommunication device	5,370	0.7	3,886	0.5	2,936	0.3	182	0.1	362	0.2
Sub-total	631,410	86.3	673,027	78.9	733,480	76.5	119,593	69.8	124,116	78.1
Continuing education services	43,621	6.0	58,642	6.9	76,435	8.0	10,510	6.1	13,919	8.8
Education resources and apprenticeship programme										
Education resources	26,428	3.6	22,233	2.6	34,506	3.6	2,473	1.4	3,665	2.3
Apprenticeship programme	29,931	4.1	99,265	11.6	113,807	11.9	38,818	22.6	17,167	10.8
Sub-total	56,359	7.7	121,498	14.2	148,313	15.5	41,291	24.1	20,832	13.1
Total	**731,390**	**100.0**	**853,167**	**100.0**	**958,228**	**100.0**	**171,394**	**100.0**	**158,867**	**100.0**

Cost of Revenue

Cost of revenue consists primarily of employee benefit expenses, depreciation and amortisation expenses, course outsourcing service fees, property management, landscaping and maintenance expenses, office and utilities expenses, operating lease expense, cost of publication, subcontract cost and others. The following table sets forth the components of our cost of revenue in absolute amounts and as percentages of our total cost of revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000) (Unaudited)	%	Amount (RMB'000)	%
Employee benefit expenses(1)	222,934	44.9	305,010	52.5	328,885	51.8	85,241	59.3	65,660	50.7
Depreciation and amortisation expenses(2)	107,128	21.6	95,194	16.4	95,923	15.1	23,340	16.2	27,456	21.2
Course outsourcing service fees(3)	18,738	3.8	—	—	—	—	—	—	—	—
Property management, landscaping and maintenance expenses	52,919	10.6	54,924	9.5	55,581	8.7	9,671	6.7	8,213	6.3
Office and utilities expenses	46,268	9.3	57,608	9.9	76,102	12.0	6,840	4.8	9,191	7.1
Operating lease expense	6,518	1.3	24,782	4.3	36,732	5.8	10,835	7.5	10,834	8.4
Cost of publication(4)	15,533	3.1	6,756	1.2	5,302	0.8	514	0.4	290	0.2
Subcontract cost	13,355	2.7	18,279	3.1	17,931	2.8	4,593	3.2	4,557	3.5
Taxes and fees	—	—	1,046	0.2	—	—	—	—	—	—
Others	13,565	2.7	17,285	3.0	18,770	3.0	2,726	1.9	3,263	2.6
Total	**496,958**	**100.0**	**580,884**	**100.0**	**635,226**	**100.0**	**143,760**	**100.0**	**129,464**	**100.0**

Notes:

(1) Employee benefit expenses consist mainly of salaries, social insurance and other benefits paid to our staff.

(2) Depreciation and amortisation expenses relate to the depreciation and amortisation of land use rights, buildings, equipment, software, books and journals.

(3) Course outsourcing services fees relate to practical training courses.

(4) Cost of publication includes the cost of printing, the remuneration of authors and the cost of purchasing books.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue, and gross profit margin represents gross profit divided by revenue. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our gross profit was RMB234.4 million, RMB272.3 million, RMB323.0 million and RMB29.4 million, respectively, and our gross profit margin was 32.1%, 31.9%, 33.7% and 18.5%, respectively.

Selling Expenses

Selling expenses consisted primarily of salaries and other compensations paid to our selling and marketing staff, marketing expenses relating to our general promotion and marketing activities, and others. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our selling expenses were RMB9.2 million, RMB10.6 million, RMB11.2 million and RMB3.6 million, respectively. The following table sets forth the components of our selling expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** (Unaudited)	**(RMB'000)**
Employee benefit expenses	3,823	4,780	6,091	1,225	2,717
Office and utilities expenses	1,089	1,653	2,049	295	295
Depreciation and amortisation expenses	49	44	30	2	73
Property management, landscaping and maintenance expenses	—	—	—	—	2
Operating lease expense	128	169	—	—	83
Others	4,101	3,942	3,069	379	420
Total	**9,190**	**10,588**	**11,239**	**1,901**	**3,590**

Administrative Expenses

Administrative expenses consisted primarily of salaries and other compensations paid to our administrative staff, office and utilities expenses, taxes and fees, depreciation and amortisation expenses of office buildings, equipment and software for general administrative purposes, operating lease expense, Listing expenses and others. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our administrative expenses were RMB65.9 million, RMB85.3 million, RMB109.2 million and RMB18.7 million, respectively. The following table sets forth the components of our administrative expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** **(Unaudited)**	**(RMB'000)**
Employee benefit expenses	43,328	46,571	54,900	11,896	12,304
Office and utilities expenses	10,511	11,892	18,493	1,898	1,201
Taxes and fees	4,962	9,368	6,216	1,327	1,252
Depreciation and amortisation expenses	4,539	4,924	5,495	1,051	2,034
Operating lease expense	548	134	48	39	44
Auditors' remuneration	139	419	646	—	—
Property management, landscaping and maintenance expenses	22	217	320	4	23
Listing expenses	—	9,364	20,728	3,535	1,363
Others	1,805	2,363	2,339	292	506
Total	**65,854**	**85,252**	**109,185**	**20,042**	**18,727**

Research and Development Expenses

Research and development expenses consisted primarily of personnel and related costs of our research and development activities. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our research and development expenses were RMB24.0 million, RMB19.8 million, RMB20.4 million and RMB4.0 million, respectively. The following table sets forth the components of our research and development expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Employee benefit expenses	20,886	16,983	19,338	5,940	3,673
Depreciation and amortisation expenses	1,185	548	132	29	161
Property management, landscaping and maintenance expenses	—	—	—	44	—
Office and utilities expense	440	583	954	118	135
Operating lease expense	189	190	—	—	11
Others	1,319	1,515	21	—	—
Total	**24,019**	**19,819**	**20,445**	**6,131**	**3,980**

Other Income

Other income consisted primarily of rental income and property service and management income we received from leasing office space in the university science park to certain cooperating enterprises, and government grants and subsidies. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our other income was RMB74.4 million, RMB65.8 million, RMB71.5 million and RMB17.3 million, respectively. The following table sets forth the components of our other income for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** (Unaudited)	**(RMB'000)**
Rental income from properties	25,457	27,996	28,866	6,984	7,587
Property service and management income	17,947	17,011	18,754	4,624	4,414
Government grants and subsidies	13,245	13,156	16,358	1,534	3,915
Development of software system technology	10,740	6,134	5,551	1,588	1,396
Interest income from loan to related parties and third party	570	70	71	17	—
Matching service income	2,502	—	—	—	—
Others	3,944	1,440	1,934	643	7
Total	**74,405**	**65,807**	**71,534**	**15,390**	**17,319**

Other Expense

Other expense consisted primarily of depreciation of property, plant and equipment, property maintenance and fire protection expenses, and development of software system technology expenses. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our other expense were RMB19.0 million, RMB19.2 million, RMB18.9 million and RMB4.3 million, respectively. The following table sets forth the components of our other expense for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Depreciation of property, plant and equipment	9,416	5,476	6,058	1,496	1,654
Property maintenance and fire protection expenses	5,349	6,246	5,212	803	888
Development of software system technology expenses	2,410	5,302	5,375	1,531	1,328
Employee benefit expenses	356	819	578	108	132
Utility expenses	467	459	508	82	89
Amortisation of land use rights and intangible assets	718	718	718	180	180
Others	292	186	487	2	9
Total	**19,008**	**19,206**	**18,936**	**4,202**	**4,280**

Other Gains and Losses

Other gains and losses consisted primarily of gains on financial assets at fair value through profit or loss, write-off of payables, and net losses on disposal of property, plant and equipment. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, we recorded other gains of RMB6.1 million, RMB4.3 million, RMB0.9 million and RMB0.9 million, respectively. The following table sets forth the components of our other gains and losses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Gains on financial assets at fair value through profit or loss	2,743	6,121	1,079	708	1,022
Write-off of payables	4,014	—	—	—	—
Donation received	586	192	605	46	4
Net (losses)/gains on disposal of property, plant and equipment	(1,155)	(2,594)	(820)	—	1
Losses on termination of leasing contract	(160)	—	—	—	—
Others	56	627	80	(88)	(88)
Total	**6,084**	**4,346**	**944**	**666**	**939**

Operating Profit

For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our operating profit was RMB196.9 million, RMB207.6 million, RMB235.7 million and RMB17.1 million, respectively.

Finance Expenses

Our finance expenses consisted primarily of the interest expenses on our borrowings from banks and related parties, the interest expenses from leasing, other charges in relation to our borrowings and net foreign exchange gains/(losses). For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our finance expenses were RMB36.3 million, RMB38.5 million, RMB40.1 million and RMB9.4 million, respectively. The following table sets forth the components of our finance expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Interest expenses from banks	19,251	25,842	42,023	7,680	12,805
Interest expenses from leasing	4,637	1,106	2,477	651	597
Interest expenses from related parties	13,375	11,672	7,108	2,133	—
Other charges	133	659	427	297	43
Net foreign exchange gains/(losses)	25	(5)	(4)	5	(34)
Less: amount capitalised	(1,113)	(735)	(11,937)	(1,413)	(3,998)
Total	**36,308**	**38,539**	**40,094**	**9,353**	**9,413**

Profit for the Year/Period

For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our profit for the year/period was RMB143.2 million, RMB163.7 million, RMB175.0 million and RMB12.2 million, respectively.

Taxation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax of Cayman Islands. Neusoft Education BVI, our wholly-owned subsidiary, is a company with limited liability incorporated in the BVI and is not subject to income tax of the BVI.

No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

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, and certain subsidiaries are entitled to preferential tax rates ranging from 0% to 15%

during certain periods. Dalian Yunguan is recognised as a software enterprise and thus entitled to a 50% reduction in the statutory income tax rate of 25% for the three years from 2017 to 2019. Accordingly, Dalian Yunguan is subject to a PRC enterprise income tax rate of 12.5% for the years ended 31 December 2017, 2018 and 2019. In addition, Dalian Yunguan is recognised as a high-tech enterprise and thus is entitled to a preferential income tax rate of 15% from 2018 through 2020. As a result, Dalian Yunguan is subject to a preferential income tax rate of 15% for the three months ended 31 March 2020. Shanghai Ruixiang is exempt from PRC enterprise income tax for two years since 2017, followed by a 50% reduction in the statutory income tax rate of 25% for the three years from 2019 to 2021. Accordingly, Shanghai Ruixiang is subject to a PRC enterprise income tax rate of 0%, 0%, 12.5% and 12.5% for the years ended 31 December 2017 and 2018, 2019 and the three months ended 31 March 2020, respectively. Dalian Education enjoyed income tax exemption for 2019 and 2020, followed by a 50% reduction in income tax from 2021 through 2023. Accordingly, Dalian Education is subject to a PRC enterprise income tax rate of 0% for the years ended 31 December 2019 and the three months ended 31 March 2020. For the years ended 31 December 2017, 2018 and 2019, our income tax expenses were RMB18.4 million, RMB7.3 million and RMB24.0 million, respectively. We recorded income tax credit of RMB3.7 million in the three months ended 31 March 2020.

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. Furthermore, the PRC Business Tax has been abolished on 1 May 2016. In addition, 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 universities are exempted from PRC Business Tax for their income generated from the provision of academic educational services during the Track Record Period and from PRC VAT for their income generated from the provision of academic educational services since 1 May 2016.

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

Sensitivity Analysis

We present a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees income during the Track Record Period, and (ii) the effect of the fluctuations of our employee benefit expenses, which includes salaries and other compensation paid to our staff, during the Track Record Period, assuming no change of depreciation and amortisation or any other costs. The sensitivity analysis involving tuition fees income and employee benefit expenses 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 6% and 9%, and 28% and 10% increase or decrease in tuition fees income and employee benefit expenses, respectively. We believe that the application of hypothetical fluctuations of 6% and 9%, and 28% and 10% in the tuition fees income and employee benefit expenses, respectively, presents a meaningful analysis of the potential impact of changes in the tuition fees income and employee benefit expenses on our revenue and profitability.

The following tables set forth the sensitivity of our profit for the year to the hypothetical reasonable changes in our tuition fees income and employee benefit expenses for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Sensitivity analysis of tuition fees income					
Tuition fees income (decrease)/ increase	**Impact on our profit for the year/period**				
(6)%	(26,002)	(27,457)	(29,992)	(4,673)	(5,063)
(9)%	(39,004)	(41,185)	(44,988)	(7,009)	(7,595)
6%	26,002	27,457	29,992	4,673	5,063
9%	39,004	41,185	44,988	7,009	7,595
Sensitivity analysis of employee benefit expenses					
Employee benefit expenses (decrease)/ increase	**Impact on our profit for the year/period**				
(28)%	61,179	78,574	86,056	21,926	17,742
(10)%	21,850	28,062	30,734	7,831	6,336
28%	(61,179)	(78,574)	(86,056)	(21,926)	(17,742)
10%	(21,850)	(28,062)	(30,734)	(7,831)	(6,336)

For illustrative purpose of breakeven analysis only, for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2019 and 2020, if the tuition fee income had decreased by approximately 33%, 36%, 35%, 6% and 14%, respectively, our net profit for the same periods would have been nil, assuming all other variables remain constant.

For illustrative purpose of breakeven analysis only, for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2019 and 2020, if the employment benefit expenses had increased by approximately 66%, 58%, 57%, 6% and 19%, respectively, our net profit for the same periods would have been nil, assuming all other variables remain constant.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended 31 March 2019 Compared to Three Months Ended 31 March 2020

Revenue

Our revenue decreased by 7.3% from RMB171.4 million for the three months ended 31 March 2019 to RMB158.9 million for the three months ended 31 March 2020, primarily due to a decrease in revenue generated from education resources and apprenticeship programme.

Revenue generated from our education resources and apprenticeship programme decreased by 49.5% from RMB41.3 million for the three months ended 31 March 2019 to RMB20.8 million for the three months ended 31 March 2020 primarily attributable to the decrease of revenue from our apprenticeship programme from RMB38.8 million for the three months ended 31 March 2019 to RMB17.2 million for the same period of 2020 as we optimised our employee structure, in particular, our engineer team, to reduce cost. For the three months ended 31 March 2020, we still primarily relied on our engineering team to generate revenue for our apprenticeship programme and revenue derived from charging enterprises for supplying well-trained students to such enterprises still accounted for a small portion of revenue from our apprenticeship programme. Therefore, such decrease in the number of engineers resulted in the decrease of revenue from our apprenticeship programme. In order to increase our student training capacity with a reduced number of engineers and further improve the quality and effectiveness of our trainings, we applied internet technologies in student training in our apprenticeship programme. As the number of students from other universities and colleges in our apprenticeship programme increases in the future, we will further apply internet technologies to increase our student training capacity and improve the effectiveness of trainings offered by our apprenticeship programmes.

Revenue derived from our full-time formal higher education services increased by 3.8% from RMB119.6 million for the three months ended 31 March 2019 to RMB124.1 million for the three months ended 31 March 2020. This was mainly because for the 2019/2020 school year, we raised tuition fees for bachelor degree programmes offered by Foshan University, which was partially offset by a decrease of RMB4.3 million in revenues from boarding fees for the three months ended 31 March 2020, as we made provisions for boarding fee refund to students of RMB5.6 million for the three months ended 31 March 2020 due to campus closing resulted from COVID-19. For detailed information on the tuition fees and boarding fees, see “Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees” in this document. For detailed information on the impact of COVID-19, see “Business — Impact of COVID-19 on our business operations.”

Cost of Revenue

Our cost of revenue decreased by 9.9% from RMB143.8 million for the three months ended 31 March 2019 to RMB129.5 million for the three months ended 31 March 2020, primarily due to a decrease of RMB19.6 million in employee benefit expenses for the three months ended 31 March 2020 as a result of an optimisation of our apprenticeship programme, which resulted in a decrease in the number of engineers in our apprenticeship programme.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 6.4% from RMB27.6 million for the three months ended 31 March 2019 to RMB29.4 million for the three months ended 31 March 2020, and our gross profit margin increased from 16.1% for the three months ended 31 March 2019 to 18.5% for the three months ended 31 March 2020. The primary reason for the increase in gross profit was the increase in our tuition fees for our full-time formal higher education programmes. Our total revenue decreased primarily due to the decrease of revenue from our apprenticeship programme. However, our cost of revenue for our apprenticeship programme also decreased significantly. As a result, the decrease in revenue from our apprenticeship programme did not significantly affect our gross profit. The increase in our gross profit margin was mainly due to (i) the increase in our tuition fees for our full-time formal higher education programmes, and (ii) the decrease of our revenue generated from apprenticeship programme, which generally has a lower profit margin.

Selling Expenses

Our selling expenses increased by 88.8% from RMB1.9 million for the three months ended 31 March 2019 to RMB3.6 million for the three months ended 31 March 2020, primarily due to an increase of RMB1.5 million in employee benefit expenses resulting from the increase of the number of sales personnel after we acquired Tianjin Ruidao in March 2020 and integrated its sales network across China to our Group.

Administrative Expenses

Our administrative expenses decreased by 6.6% from RMB20.0 million for the three months ended 31 March 2019 to RMB18.7 million for the three months ended 31 March 2020, primarily due to a decrease of RMB2.2 million in Listing expenses.

Research and Development Expenses

Our research and development expenses decreased by 35.1% from RMB6.1 million for the three months ended 31 March 2019 to RMB4.0 million for the three months ended 31 March 2020, primarily due to a decrease in the number of research and development personnel responsible for developing the practical training platforms of our three universities. Such platforms had been well-developed and we reduced the number of research and development personnel so as to allocate more resources to hire more high-tech talents to develop other products. We started to recruit high-tech talents in 2019 and will further recruit these talents in the future based on the growth of our business.

Other Income

Our other income slightly increased by 12.5% from RMB15.4 million for the three months ended 31 March 2019 to RMB17.3 million for the three months ended 31 March 2020, primarily attributable to the increase of government grants and subsidies from RMB1.5 million to RMB3.9 million as Shanghai Ruixiang received government grants and subsidies for the year ending 31 December 2020 in March 2020, earlier than government grants and subsidies Shanghai Ruixiang received for the year ended 31 December 2019, which took place in April 2019.

Other Expense

Our other expense remained stable at RMB4.2 million and RMB4.3 million for the three months ended 31 March 2019 and 2020, respectively.

Other Gains

We recorded other gains of RMB0.7 million for the three months ended 31 March 2019, compared to other gains of RMB0.9 million for the three months ended 31 March 2020. The increase was primarily attributable to the increase of RMB0.3 million in gains on financial assets at fair value through profit or loss as we brought more wealth management products in the three months ended 31 March 2020.

Operating Profit

As a result of the foregoing, our operating profit increased by 49.7% from RMB11.4 million for the three months ended 31 March 2019 to RMB17.1 million for the three months ended 31 March 2020.

Finance Income

Our finance income increased from RMB0.6 million for the three months ended 31 March 2019 to RMB0.9 million for the three months ended 31 March 2020, primarily due to an increase in balance in our bank accounts.

Finance Expenses

Our finance expenses remained stable around RMB9.4 million for the three months ended 31 March 2019 and for the three months ended 31 March 2020, primarily due to the increase in our interest expenses payable to banks from RMB7.7 million for the three months ended 31 March 2019 to RMB12.8 million for the three months ended 31 March 2020 as our bank borrowings increased in 2020, and partially offset by the increase of amount capitalised from RMB1.4 million to RMB4.0 million for the same period and a decrease of interest expenses payable to related parties due to our repayment of a related-party loan the end of 2019.

Income Tax Credit

We recorded income tax credit of RMB1.9 million for the three months ended 31 March 2019 and income tax credit of RMB3.7 million for the three months ended 31 March 2020. We recorded income tax credit for the three months ended 31 March 2019 and 2020 primarily because we recorded deferred income tax assets for losses incurred by certain of our operating subsidiaries such as our three universities. To a lesser extent, certain of our profit-making subsidiaries recorded less income tax expenses due to certain income tax benefits.

We recorded a higher amount of income tax credit for the three months ended 31 March 2020, primarily because we recorded a higher amount of deferred income tax assets of RMB8.0 million for the three months ended 31 March 2020 as compared to deferred income tax assets of RMB7.3 million for the three months ended 31 March 2019.

Profit for the Period

As a result of the foregoing, our profit for the period increased from RMB4.5 million for the three months ended 31 March 2019 to RMB12.2 million for the three months ended 31 March 2020.

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

Revenue

Our revenue increased by 12.3% from RMB853.2 million for the year ended 31 December 2018 to RMB958.2 million for the year ended 31 December 2019. This increase was primarily due to the increases in revenue from both our full-time formal higher education services and education resources and apprenticeship programme.

Revenue generated from our full-time formal higher education services increased by 9.0% from RMB673.0 million for the year ended 31 December 2018 to RMB733.5 million for the year ended 31 December 2019 because the number of students enroled increased for the 2019/2020 school year and we raised our tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University and Foshan University for the 2019/2020 school year. For detailed information on the tuition fees and boarding fees, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document.

Revenue derived from our education resources and apprenticeship programme increased by 22.1% from RMB121.5 million for the year ended 31 December 2018 to RMB148.3 million for the year ended 31 December 2019, primarily because (i) we expanded the client base for our education resources, in particular, clients purchasing our software products, and (ii) Shanghai Ruixiang had a higher number of engineers in the first half of 2019 and thus were able to generate more revenue for our apprenticeship programme by undertaking more IT development projects.

Revenue derived from our continuing education services increased by 30.3% from RMB58.6 million for the year ended 31 December 2018 to RMB76.4 million for the year ended 31 December 2019, primarily due to (i) the growth of our short-term training services after we established Neusoft Training School in August 2018, and (ii) the growth of our adult higher education programmes from Foshan University for the year ended 31 December 2019.

Cost of Revenue

Our cost of revenue increased by 9.3% from RMB580.9 million for the year ended 31 December 2018 to RMB635.2 million for the year ended 31 December 2019, primarily due to increases in our (i) employee benefit expenses, (ii) office and utilities expenses, and (iii) operating lease expense.

Our employee benefit expenses increased from RMB305.0 million for the year ended 31 December 2018 to RMB328.9 million for the year ended 31 December 2019 mainly because in 2019 (i) Chengdu University hired an additional number of employees, especially teachers, (ii) Foshan University increased the overall level of employee compensation, and (iii) Shanghai Ruixiang had a higher number of employees in the first half of 2019.

Our office and utilities expenses also increased from RMB57.6 million for the year ended 31 December 2018 to RMB76.1 million for the year ended 31 December 2019 mainly because (i) Shanghai Ruixiang had a higher number of employees in the first half of 2019, and (ii) Neusoft Training School and Dalian Education leased additional office space and incurred additional expenses in connection therewith.

Our operating lease expense increased from RMB24.8 million for the year ended 31 December 2018 to RMB36.7 million for the year ended 31 December 2019, primarily due to (i) an increase of RMB4.4 million in operating lease expense for a student dormitory building of Dalian University, and (ii) Foshan University rented additional student dormitory buildings in August 2018 and 2019.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 18.6% from RMB272.3 million for the year ended 31 December 2018 to RMB323.0 million for the year ended 31 December 2019, and our gross profit margin slightly increased from 31.9% for the year ended 31 December 2018 to 33.7% for the year ended 31 December 2019.

Selling Expenses

Our selling expenses slightly increased by 6.1% from RMB10.6 million for the year ended 31 December 2018 to RMB11.2 million for the year ended 31 December 2019, primarily due to an increase in employee benefit expenses as a result of the growth of our business, in particular, the growth of our education resources business.

Administrative Expenses

Our administrative expenses increased by 28.1% from RMB85.3 million for the year ended 31 December 2018 to RMB109.2 million for the year ended 31 December 2019, primarily due to (i) an increase of RMB11.4 million in expenses associated with the Listing, (ii) an increase of RMB8.3 million in employee benefit expenses as a result of a higher number of employees in Shanghai Ruixiang in the first half of 2019 and the establishment of Neusoft Training School and Dalian Education in August 2018, and (iii) an increase of RMB6.6 million in office and utilities expenses as a result of Dalian Education's office relocation, holding investor meetings and traveling abroad for roadshows. The increases were partially offset by a decrease in taxes and fees because we incurred taxes and fees of RMB3.5 million in the first half of 2018 due to the transfer of the legal title of certain real estate properties that Chengdu University had been using from Chengdu Development to Chengdu University so that Chengdu University is able to manage its school properties and operations more efficiently.

Research and Development Expenses

Our research and development expenses increased by 3.2% from RMB19.8 million for the year ended 31 December 2018 to RMB20.4 million for the year ended 31 December 2019, primarily due to an increase of

RMB2.4 million in the employee benefit expenses as we have a higher number of research personnel engaged in the research and development and maintenance of our education resources products and the research and development activities in connection with our online training courses. Such increase was offset by a decrease of RMB1.5 million in other expenses resulted from a software development outsourcing programme started in 2018 and ended in early 2019 and, as a result, expenses related to such programme decreased in 2019 as compared to 2018.

Other Income

Our other income increased by 8.7% from RMB65.8 million for the year ended 31 December 2018 to RMB71.5 million for the year ended 31 December 2019, primarily due to a higher amount of government subsidy Shanghai Ruixiang received in 2019 as Shanghai Ruixiang paid a higher amount of tax in 2018 than in 2017.

Other Expense

Our other expense remained stable at RMB19.2 million and RMB18.9 million for the years ended 31 December 2018 and 2019, respectively.

Other Gains

Our other gains decreased from RMB4.3 million for the year ended 31 December 2018 to RMB0.9 million for the year ended 31 December 2019, primarily because we recorded a decrease of RMB5.0 million in gains in profit or loss on financial instruments as we decreased the amount of wealth management products we held in 2019 to meet our demand for cash for our schools' land acquisition and school building construction. Such decrease was partially offset by a decrease of RMB1.8 million in losses on disposal of property, plant and equipment as Dalian Development and Foshan University retired a large amount of assets in 2018.

Operating Profit

As a result of the foregoing, our operating profit increased by 13.5% from RMB207.6 million for the year ended 31 December 2018 to RMB235.7 million for the year ended 31 December 2019.

Finance Income

Our finance income increased by 71.7% from RMB2.0 million for the year ended 31 December 2018 to RMB3.4 million for the year ended 31 December 2019, primarily due to an increase in balance in our bank accounts.

Finance Expenses

Our finance expenses increased by 4.0% from RMB38.5 million for the year ended 31 December 2018 to RMB40.1 million for the year ended 31 December 2019, primarily due to the increase in our interest expenses payable to banks as our bank borrowings increased in 2019 for purposes such as establishing a practical training base in Dalian University and supplementing our working capital.

Income Tax Expense

Our income tax expense increased by 226.9% from RMB7.3 million for the year ended 31 December 2018 to RMB24.0 million for the year ended 31 December 2019, primarily because (i) Shanghai Ruixiang started to be subject to a "three-year 50% reduction" preferential enterprise income tax rate of 12.5% from 2019 through 2021 according to a "two-year exemption, three-year 50% reduction" preferential enterprise income tax treatment, and (ii) we had a higher amount of operating profit in 2019.

Profit for the Year

As a result of the foregoing, our profit increased by 6.9% from RMB163.7 million for the year ended 31 December 2018 to RMB175.0 million for the year ended 31 December 2019.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue

Our revenue increased by 16.7% from RMB731.4 million for the year ended 31 December 2017 to RMB853.2 million for the year ended 31 December 2018. This increase was due to the increases in revenue from our education resources and apprenticeship programme, our full-time formal higher education services and our continuing education services.

Revenue generated from our education resources and apprenticeship programme increased by 115.6% from RMB56.4 million for the year ended 31 December 2017 to RMB121.5 million for the year ended 31 December 2018, primarily attributable to the increase in revenue from apprenticeship programme from RMB29.9 million to RMB99.3 million during the same period as a result of our expansion of apprenticeship programme.

Revenue generated from our full-time formal higher education services increased by 6.6% from RMB631.4 million for the year ended 31 December 2017 to RMB673.0 million for the year ended 31 December 2018 mainly because (i) for the 2017/2018 school year, we raised our tuition fees for bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes offered by Dalian University, and raised tuition fees for junior college diploma programmes offered by Foshan University, and (ii) for the 2018/2019 school year, we raised tuition fees for bachelor degree programmes offered by Foshan University. For detailed information on the tuition fees and boarding fees, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document.

Revenue derived from our continuing education services increased by 34.4% from RMB43.6 million for the year ended 31 December 2017 to RMB58.6 million for the year ended 31 December 2018, which was primarily attributable to (i) the increase in the number of students enroled in our formal higher continuing education programmes from 3,658 in the 2017/2018 school year to 3,773 in the 2018/2019 school year, and (ii) the increase in revenue from our short-term training services.

Cost of Revenue

Our cost of revenue increased by 16.9% from RMB497.0 million for the year ended 31 December 2017 to RMB580.9 million for the year ended 31 December 2018. This increase was primarily due to the increase in our employee benefit expenses from RMB222.9 million for the year ended 31 December 2017 to RMB305.0 million for the year ended 31 December 2018 and the increase in our operating lease expense from RMB6.5 million for the year ended 31 December 2017 to RMB24.8 million for the year ended 31 December 2018. The increase in our employee benefit expenses was mainly attributable to (i) the increased employee benefit expenses for our education resources and apprenticeship programme as we continued to expand our apprenticeship programme and accordingly hired more engineers in 2018 to provide guidance and supervise our students in IT development projects, and (ii) the increase in the number of our teachers. Our operating lease expense increased during the period because we early adopted IFRS 16 and in September 2017, we changed the lease terms from five years to one year with respect to certain of our student dormitories in order to manage our leases with more flexibility. Under IFRS 16, only payments associated with leases of a term of 12 months or less are recognised as operating lease expenses. Accordingly, our operating lease expense for the year ended 31 December 2018 increased primarily due to the change of lease terms.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 16.1% from RMB234.4 million for the year ended 31 December 2017 to RMB272.3 million for the year ended 31 December 2018, and our gross profit margin slightly decreased from 32.1% for the year ended 31 December 2017 to 31.9% for the year ended 31 December 2018. The primary underlying reason for the increase in gross profit was the increase of our revenue outpaced the increase of our cost of revenue for the same period. Our overall gross profit margin remained stable because the growth of our low-margin apprenticeship programme offset the increased gross profit margin of our full-time formal higher education services resulting from the raise of tuition fees and boarding fees.

Selling Expenses

Our selling expenses increased by 15.2% from RMB9.2 million for the year ended 31 December 2017 to RMB10.6 million for the year ended 31 December 2018, primarily due to (i) an increase in employee benefit expenses from RMB3.8 million for the year ended 31 December 2017 to RMB4.8 million for the year ended 31 December 2018, and (ii) an increase in office and utilities expenses from RMB1.1 million for the year ended 31 December 2017 to RMB1.7 million for the year ended 31 December 2018, partially offset by a decrease in other expenses from RMB4.1 million for the year ended 31 December 2017 to RMB3.9 million for the year ended 31 December 2018. The increases in our employee benefit expenses were primarily driven by the increase in our employee headcount due to promotion of our education resources during the same period.

Administrative Expenses

Our administrative expenses increased by 29.5% from RMB65.9 million for the year ended 31 December 2017 to RMB85.3 million for the year ended 31 December 2018, primarily due to (i) an increase in Listing expenses from nil for the year ended 31 December 2017 to RMB9.4 million for the year ended 31 December 2018, (ii) an increase in taxes and fees from RMB5.0 million for the year ended 31 December 2017 to RMB9.4 million for the year ended 31 December 2018, and (iii) an increase in employee benefit expenses for our administrative staff from RMB43.3 million for the year ended 31 December 2017 to RMB46.6 million for the year ended 31 December 2018. The increase in taxes and fees was primarily due to taxes and fees arising from the transfer of the legal title of certain real estate properties that Chengdu University had been using from Chengdu Development to Chengdu University so that Chengdu University operates its business in a more compliant manner. The increase in employee benefit expenses was primarily the result of the increase in headcount of our administrative staff during the same period.

Research and Development Expenses

Our research and development expenses decreased by 17.5% from RMB24.0 million for the year ended 31 December 2017 to RMB19.8 million for the year ended 31 December 2018, primarily due to (i) a decrease in employee benefit expenses for our research and development staff from RMB20.9 million for the year ended 31 December 2017 to RMB17.0 million for the year ended 31 December 2018, and (ii) a decrease in depreciation and amortisation expenses from RMB1.2 million for the year ended 31 December 2017 to RMB0.5 million for the year ended 31 December 2018. The decrease in employee benefit expenses was primarily attributable to our reduced research and development activities in the year ended 31 December 2018 as we had finished major research and development activities in 2017. Our depreciation and amortisation expenses decreased in the year ended 31 December 2018 because a large amount of equipment used for research and development activities had been fully depreciated in the year ended 31 December 2018.

Other Income

Our other income decreased by 11.5% from RMB74.4 million for the year ended 31 December 2017 to RMB65.8 million for the year ended 31 December 2018, primarily attributable to (i) a decrease in our income derived from development of software system technology from RMB10.7 million for the year ended 31 December 2017 to RMB6.1 million for the year ended 31 December 2018, and (ii) a one-off matching service income amounted to RMB2.5 million for the year ended 31 December 2017. The decrease in other income from development of software system technology reflected the reduced contract value of software development projects that our teachers undertook in the year ended 31 December 2018 compared to the year ended 31 December 2017. We recorded a one-off matching service income in 2017 because Shanghai Ruixiang outsourced certain software development projects it undertook in 2017 to other companies and earned the difference between the fees received from its clients and the payments to other companies. Such outsourcing arrangement was a temporary arrangement due to a lack of sufficient engineers at the beginning of its business operations. Shanghai Ruixiang hired additional engineers thereafter and started to assign its own engineers to the software development projects it undertook since then.

Other Expense

Our other expense remained stable at RMB19.0 million and RMB19.2 million for the years ended 31 December 2017 and 2018, respectively.

Other Gains and Losses

We recorded other gains of RMB6.1 million for the year ended 31 December 2017, compared to other gains of RMB4.3 million for the year ended 31 December 2018. The decrease was primarily attributable to the following factors:

- *Write-off of payables*. We recorded a RMB4.0 million in write-off of payables for the year ended 31 December 2017, compared to nil for the year ended 31 December 2018. The write-off of trade payables with long ageing in 2017 comprised (i) the write-off of RMB2.0 million to a discontinued cafeteria service provider following its dissolution, and (ii) the write-off of security deposit related to refurbishment works in the amount of RMB2.0 million after the creditor waived its rights to such deposit on its own.

- *Gains on financial assets at fair value through profit or loss*. Our gains on financial assets at fair value through profit or loss increased by 123.1% from RMB2.7 million for the year ended 31 December 2017 to RMB6.1 million for the year ended 31 December 2018, primarily because we increased the purchase of wealth management products in 2018.

- *Net losses on disposal of property, plant and equipment*. Our net losses on disposal of property, plant and equipment increased by 124.6% from RMB1.2 million for the year ended 31 December 2017 to RMB2.6 million for the year ended 31 December 2018, primarily due to the scrapping of certain property, plant and equipment.

Operating Profit

As a result of the foregoing, our operating profit increased by 5.4% from RMB196.9 million for the year ended 31 December 2017 to RMB207.6 million for the year ended 31 December 2018.

Finance Income

Our finance income increased by 89.5% from RMB1.0 million for the year ended 31 December 2017 to RMB2.0 million for the year ended 31 December 2018, primarily due to an increase in balance in our bank accounts.

Finance Expenses

Our finance expenses increased by 5.0% from RMB36.7 million for the year ended 31 December 2017 to RMB38.5 million for the year ended 31 December 2018, primarily due to the increase in our interest expenses payable to banks as our bank borrowings increased in 2018.

Income Tax Expense

Our income tax expense decreased by 60.1% from RMB18.4 million for the year ended 31 December 2017 to RMB7.3 million for the year ended 31 December 2018, primarily due to the decrease in our effective tax rate for the year ended 31 December 2018.

Profit for the Year

As a result of the foregoing, our profit increased by 14.3% from RMB143.2 million for the year ended 31 December 2017 to RMB163.7 million for the year ended 31 December 2018.

CURRENT ASSETS AND CURRENT LIABILITIES

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

	As of 31 December			As of 31 March	As of 31 July
	2017	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Current Assets					
Inventories	1,160	2,781	3,063	4,462	3,973
Trade and notes receivables	24,103	14,592	6,148	17,108	13,625
Prepayments, deposits and other receivables	160,598	45,935	45,909	48,291	40,817
Financial assets at fair value through profit or loss	2,082	87,794	50	192,660	27,410
Restricted cash	16	13,682	10,215	11,694	4,992
Cash and cash equivalents	332,558	214,834	562,882	455,013	274,340
Total current assets	**520,517**	**379,618**	**628,267**	**729,228**	**365,157**
Current Liabilities					
Trade and other payables	402,920	163,827	226,531	618,549	530,629
Current income tax liabilities	5,430	7,214	9,210	6,586	59
Contract liabilities	411,766	449,944	489,436	349,334	117,282
Borrowings	238,500	222,040	473,164	475,164	567,620
Lease liabilities	3,026	7,699	5,601	9,983	9,675
Deferred income	34,577	37,851	40,382	42,747	50,603
Total current liabilities	**1,096,219**	**888,575**	**1,244,324**	**1,502,363**	**1,275,868**
Net current liabilities	**575,702**	**508,957**	**616,057**	**773,135**	**910,711**

As of 31 December 2017, 2018, 2019, 31 March 2020 and 31 July 2020, we had net current liabilities of RMB575.7 million, RMB509.0 million, RMB616.1 million, RMB773.1 million and RMB910.7 million, respectively. We had net current liabilities as of each of these dates primarily because we had a large amount of contract liabilities and borrowings as of the end of each year/period during the Track Record Period. We generally had a large amount of contract liabilities because we received tuition fees and boarding fees before or at the beginning of each of the corresponding school year and recorded them initially as contract liabilities under current liabilities. We recognise tuition fees and boarding fees as revenue proportionately over the terms of the applicable programmes. As a result, as of the end of each year during the Track Record Period, we generally had a large amount contract liabilities unrecognised as revenue. We had a large amount of borrowings to finance, among other things, the expansion of our school campus and upgrade of our school facilities.

Our net current liabilities decreased from RMB575.7 million as of 31 December 2017 to RMB509.0 million as of 31 December 2018, primarily due to a decrease in trade and other payables mainly as a result of a decrease of RMB212.8 million in borrowings from related parties while we increased borrowings from banks. Our net current liabilities increased from RMB509.0 million as of 31 December 2018 to RMB616.1 million as of 31 December 2019 due to the increase in current liabilities resulting primarily from an increase in current borrowings to supplement our working capital and an increase in trade and other payables associated with our construction of a practical training base in Dalian University. Our net current liabilities increased from RMB616.1 million as of 31 December 2019 to RMB773.1 million as of 31 March 2020 primarily because our trade and other payables increased from RMB226.5 million to RMB618.5 million mainly due to the consideration payable to Neusoft Holdings of RMB362.8 million for the acquisition of Tianjin Ruidao in March 2020. Our net current liabilities increased from RMB773.1 million as of 31 March 2020 to RMB910.7 million as of 31 July 2020, primarily because (i) our financial assets at fair value through profit or loss decreased from RMB192.7 million to RMB27.4 million mainly as a result of our redemption of wealth management products to supplement our working capital, (ii) our cash and cash equivalents decreased from RMB455.0 million to RMB274.3 million mainly due to the cash outflow in operating activities, capital expenditure and payment of consideration for acquisition of Tianjin Ruidao, and (iii) our current borrowings increased from RMB475.2 million to RMB567.6 million as we increased borrowings to supplement our working capital.

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 and our planned capital expenditures and capital commitments. We may have a net current liabilities position in the future and be exposed to liquidity risks, and our business, financial condition and results of operations may be materially and adversely affected as a result. See "Risk Factors — Risks relating to our business and our industry — We had net current liabilities as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively" in this document.

Discussion of Key Balance Sheet Items

Assets

Property, Plant and Equipment

Our property, plant and equipment amounted to RMB1,109.0 million, RMB1,076.2 million, RMB1,202.4 million and RMB1,240.8 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. Our property, plant and equipment comprised mainly of buildings, electronic equipment, and furniture and fixtures. The net book value of our property, plant and equipment remained relatively stable because our capital expenditures were relatively close to our depreciation expenses in the years ended 31 December 2017 and 2018 and the three months ended 31 March 2020.

Trade and Notes Receivables

Our trade receivables consisted primarily of trade receivables due from related parties, receivables from continuing education services, receivables from the sales of our education resources, receivables from development of software system technology. During the Track Record Period, our receivables from continuing education services represented receivables from our short-term training services. We recorded notes receivables as of 31 March 2020 because we acquired Tianjin Ruidao which received bank acceptance bills from its clients in its business operations. The table below sets forth the breakdown of our trade receivables as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Due from related parties	19,064	9,022	442	917
Receivables from continuing education services	3,593	1,812	1,293	2,764
Receivables from education resources	1,033	1,924	4,145	10,368
Receivables from development of software system technology	106	248	131	2
Receivables from apprenticeship programme	—	—	—	496
Others	307	1,586	137	340
Trade receivables	**24,103**	**14,592**	**6,148**	**14,887**
Notes receivables	—	—	—	2,221
Trade and notes receivables	**24,103**	**14,592**	**6,148**	**17,108**

Trade receivables from related parties comprise (i) receivables from apprenticeship programme operated by Shanghai Ruixiang, and (ii) receivables from education resources services and other services. Receivables from apprenticeship programme operated by Shanghai Ruixiang accounted for a vast majority of our receivables from related parties. As of 31 December 2017, 2018, 2019 and 31 March 2020, receivables from apprenticeship programme operated by Shanghai Ruixiang were approximately RMB19.0 million, RMB8.9 million, RMB188,000 and RMB907,000. Receivables from apprenticeship programme operated by Shanghai Ruixiang arose from the transactions with Shanghai Sirui, a company controlled by Neusoft Holdings, in connection with the operations of our apprenticeship programme. Receivables from education resources services and other services that were due from related parties arose mainly from transactions with four companies then controlled by Neusoft Holdings (i.e. Guangzhou Neusoft Ruidao Educational Information Technologies Co., Ltd., Guangdong Ruidao Gongchuang Technology Co., Ltd., Shanghai Sirui and Tianjin Ruidao) in connection with our education resources services and other services. As of 31 December 2017, 2018, 2019 and 31 March 2020, receivables from education resources services and other services that were due from related parties were approximately RMB75,000, RMB165,000, RMB253,000 and RMB10,000.

Our trade receivables amounted to RMB24.1 million, RMB14.6 million, RMB6.1 million and RMB17.1 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. The decrease from RMB24.1 million as of 31 December 2017 to RMB14.6 million as of 31 December 2018 was primarily due to a decrease in trade receivables of approximately RMB10.0 million due from a related party. The decrease from RMB14.6 million as of 31 December 2018 to RMB6.1 million as of 31 December 2019 was primarily due to a decrease in trade receivables due from Shanghai Sirui. The increase from RMB6.1 million as of 31 December 2019 to RMB14.9 million as of 31 March 2020 was primarily due to an increase of RMB6.2 million in receivables from education recourses due from certain higher education institutions that purchased our education resources. Such increase was primarily because our education resources business was expanded after our acquisition of Tianjin Ruidao. As of 31 July 2020, trade and notes receivables of RMB9.4 million, representing 55.0% of our trade and notes receivables of RMB17.1 million as of 31 March 2020, had been settled.

The table below sets forth an ageing analysis of our trade receivables:

	As of 31 December			As of 31 March
	2017	**2018**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Less than 6 months	19,610	14,459	5,803	13,226
6 months to 1 year	3,962	—	—	118
1 to 2 years	459	133	345	824
More than 2 years	72	—	—	719
Total	**24,103**	**14,592**	**6,148**	**14,887**

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables consisted primarily of (i) prepayments for operating lease expenses and property maintenance expenses, (ii) receivables from related parties due to Reorganisation, and (iii) other receivables due from related parties. The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Other receivables and deposits				
Due from related parties	20,605	—	—	1,207
Receivables from related parties due to Reorganisation	109,532	—	—	—
Loan receivable from third parties	1,600	1,600	1,500	1,500
Advance to staff	3,970	3,093	2,733	3,765
Advance to third parties	1,516	2,425	2,508	2,740
Deposits	413	868	13,549	17,862
Deductible VAT input and prepaid income tax fees	1,134	9,205	6,010	8,080
Others	193	322	45	39
Less: non-current portion				
— Deposits	—	—	(11,500)	(11,500)
— Loan receivable from third parties	(1,600)	(1,200)	(1,500)	(1,500)
Other receivables and deposits — current portion	**137,363**	**16,313**	**13,345**	**22,193**
Prepayment				
Prepayment for utilities	1,654	2,250	3,812	3,437
Prepayment for leases	12,915	18,051	23,737	15,016
Prepayment for property maintenance expenses	4,099	6,040	—	2,339
Prepayment to related parties	69	48	55	—
Prepayment in relation to the Listing	—	2,820	4,126	4,297
Prepayment to others	4,642	413	224,991	225,097
Less: non-current portion				
— Prepayments for property, plant and equipment	(144)	—	(541)	(472)
— Prepayments for land use right	—	—	(223,616)	(223,616)
Prepayments — current portion	**23,235**	**29,622**	**32,564**	**26,098**
Total prepayments, deposits and other receivables	**160,598**	**45,935**	**45,909**	**48,291**

As of 31 December 2017, 2018, 2019 and 31 March 2020, our prepayments, deposits and other receivables in our current assets were RMB160.6 million, RMB45.9 million, RMB45.9 million and RMB48.3 million, respectively. The decrease from RMB160.6 million as of 31 December 2017 to RMB45.9 million as of

31 December 2018 was primarily due to (i) a decrease of RMB109.5 million in receivables from related parties due to Reorganisation, (ii) a decrease of RMB20.6 million in receivables due from related parties, and (iii) a decrease of RMB4.2 million in prepayment to others as in 2018 Foshan University started to pay service fees to a supplier after the acceptance of services instead of making prepayments in advance. The prepayments, deposits and other receivables as of 31 March 2020 and 31 December 2019 remained stable as compared to that as of 31 December 2018.

We recorded advances to staff during the Track Record Period as we made cash advances to employees for purposes of covering the expenses incurred in performing their duties and recorded the amounts that had not been recognised as expenses as of a balance sheet date as advances to staff. When our employees apply for advances, we require them to provide a budget and relevant supporting documents for our review and approval. Expenses are recognised on accrual basis when they are actually incurred. We had a higher amount of advances to staff as of 31 March 2020 primarily because we had a higher number of employees after the acquisition of Tianjin Ruidao and the amount of advances to staff increased accordingly.

We recorded advances to third parties during the Track Record Period primarily because we made utility prepayments on behalf of vendors in our campus such as canteens, grocery stores and bathhouses and recorded the difference between the actual amounts incurred by them as of a balance sheet date and the amount we prepaid on behalf of them as advances to third parties. We had higher amount of advances to third parties as of 31 March 2020 compared to the amount as of 31 December 2019, primarily because the PRC government issued relief policies in relation to social insurance due to COVID-19, which allow employers to make social insurance contributions at lower levels than statutory requirements. We had already made contributions to social insurance at the statutory levels when the relief policies were issued, as a result of which we recorded the extra amount we have prepaid over the statutory amount as advances to third parties. Advances to third parties were relatively stable between 31 December 2019 and 31 December 2018. We had higher amount of advances to third parties as of 31 December 2018 compared to the amount as of 31 December 2017, primarily because we made a higher amount of utility prepayments on behalf of our students.

We recorded higher amount of prepayment to others as of 31 December 2019 and 31 March 2020, primarily because Dalian University entered into agreements with Dalian Land Resource and Housing Bureau in December 2018 to acquire two parcels of land at the price of RMB223.6 million to construct a new campus. Such amount was recorded as prepayment to others until we obtained the land use right certificates of the two parcels of land in July 2020. See “Business — Properties — Owned properties — Land” for more information.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss consisted primarily of financial products designed by financial institutions. The following table sets forth the breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Financial products sponsored and managed by banks	2,082	87,794	50	192,660

The financial products that we purchased mainly comprise bank wealth managements product, the underlying financial assets of which might include notes, bond funds, assets-backed securities and interbank deposits. The wealth management products we invested in were offered by commercial banks. These wealth management products may or may not be principal-protected and are of different risk levels, depending on the types and percentages of the underlying assets in a particular investment product portfolio. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, we purchased wealth management products with principal amount of approximately RMB642.2 million, RMB939.8 million, RMB312.6 million and RMB229.3 million, respectively. Financial assets at fair value through profit or loss increased significantly as of 31 December 2018 because we purchased an additional amount of wealth management products from commercial banks in 2018. Such amount decreased significantly as of 31 December 2019 because we redeemed almost all of our wealth management products to finance our campus expansion and supplement our working capital. The financial assets at fair value through profit or loss increased to RMB192.7 million as of 31 March 2020 because Tianjin Ruidao had idle cash on its account and we therefore bought wealth management products using such cash.

The following table sets forth a summary of the wealth management products we invested in as of 31 March 2020:

Issuing Bank	Amount subscribed (RMB'000)	Expected annualised interest rate	Term	Principal protected
China Merchants Bank	50	2.35%	No fixed term	Yes
Industrial Bank	7,000	3.44%	No fixed term	No
Industrial Bank	17,800	3.54%	No fixed term	No
Shanghai Pudong Development Bank	6,000	2.17%	No fixed term	No
Industrial Bank	13,000	3.54%	No fixed term	No
Industrial Bank	15,000	3.54%	No fixed term	No
China Merchants Bank	12,000	2.10%	No fixed term	Yes
China Merchants Bank	5,500	2.10%	No fixed term	Yes
Industrial Bank	5,000	3.54%	No fixed term	No
Guangdong Nanhai Rural Commercial Bank	10,000	3.20%	No fixed term	Yes
Industrial Bank	10,000	3.59%-3.63%	31 days	Yes
Industrial Bank	90,000	3.55%-3.63%	91 days	Yes

Fair value estimation

During the Track Record Period, we purchased wealth management products with floating rates, which were recorded as financial assets at fair value through profit or loss on our balance sheet. As of 31 December 2017, 2018, 2019 and 31 March 2020, we had financial assets at fair value through profit or loss of RMB2.1 million, RMB87.8 million, RMB50,000 and RMB192.7 million, respectively. To provide an indication of the reliability of the inputs used in determining fair value, we have classified our financial instruments into three levels as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level one).

(ii) Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level two).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level three).

As of 31 December 2017, 2018, 2019 and 31 March 2020, all of our financial assets at fair value through profit or loss were classified as level three financial instruments. Our finance department performs a valuation of level three financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case-by-case basis. At least once a year, our finance department uses valuation techniques to determine the fair value of our level three instruments and reports to senior management and our Directors. For details, see Note 3.3 of the Accountant's Report set out in Appendix I of this document. Our Directors have reviewed the fair value measurement of level three financial instruments, taking into account the significant unobservable inputs and the applicable valuation techniques, and determined that the fair value measurement of level three financial instruments is in accordance with the applicable IFRSs.

Our Directors are satisfied with the valuation exercise for financial assets categorised as level three financial instruments in its historical financial information for the purpose of preparing the consolidated financial statements for the Track Record Period as contained in the Accountant's Report set out in Appendix I to this document, and the Sole Sponsor concurs with our Directors' view, having (i) considered the unqualified opinion included in the Accountant's Report as set out in Appendix I to this document; (ii) reviewed the confirmation letters obtained from the commercial banks, being the issuers of the wealth management products purchased by us, regarding the balances of our wealth management products as at the end of each reporting period; (iii) reviewed the terms of the subscription contracts of the wealth management products purchased by us; (iv) discussed with our management in relation to the valuation work performed by us during the Track Record Period for financial assets categorised as level three financial instruments; and (v) considered the significant unobservable inputs, being the expected rates of return, adopted by us as compared to the expected rates of return of similar wealth management products published by the commercial banks around the time when we performed the valuation exercise, and the cash received by us as a result of our subsequent redemption of the wealth management products.

Cash management policy

We receive most of our tuition fees and boarding fees before or 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 generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to wealth management products 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 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 our senior management.

According to our internal policies, a proposal to invest in wealth management products must be reviewed and approved by the principal executive and financial officers of the relevant Group entity. In assessing a proposal to invest in wealth management products, a number of criteria must be met, including but not limited to:

- we should generally only invest in short-term wealth management products;
- investments in high-risk wealth management products being prohibited;
- the proposed investment must not interfere with our business operation or capital expenditures; and
- the wealth management products should be issued by a reputable bank with which we have a long-term relationship.

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

In addition, in order to maximise the efficiency of and returns from treasury management, before our Group was formulated through the Reorganisation, certain subsidiaries comprising our Group extended short-term loans at the market rates to other parties, as opposed to depositing idle cash as current deposits in its bank accounts. Before we extended loans to other parties, we looked into our working capital sufficiency to make sure that we had a sufficient amount of funds for our business operations and were able to meet our loan repayment obligations. We generally had a sufficient amount of cash for our business operations at the beginning of a school year after we received tuition fees and boarding fees from students. The loans extended to related parties prior to the formulation of our Group had been fully repaid as of 31 December 2017. After the formulation of our Group, we ceased extending new loans to other parties and put in place policies and procedures for extending loans to other parties. For example, before we extend a loan to other parties, depending on the size of the loan, it has to be approved by our Chairman or our Board.

Impairment test for goodwill and brand deriving from the acquisition of Tianjin Ruidao

We acquired Tianjin Ruidao in March 2020 and recorded a goodwill of RMB134.9 million and brand of RMB89.5 million. See "Business — Acquisition of Tianjin Ruidao", "History, Reorganisation and corporate structure — Corporate structure — Corporate developments following the Reorganisation" and note 18 of the Accountant's Report set out in Appendix I to this document for more information.

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and brand that arose from the acquisition of Tianjin Ruidao are monitored by the management at the level of cash-generating unit, Tianjin Ruidao. The recoverable amounts of cash-generating unit was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. The following tables set out the key assumptions for the cash-generating unit and the recoverable amounts exceed the carrying amount (including goodwill and brand) of the cash-generating unit by RMB88,083,000.

	As at 31 March
	2020
Revenue growth rate (%)	20.0
Costs and operating expenses (% of revenue) (%)	84.5
Long-term growth rate (%)	3.0
Pre-tax discount rate (%)	12.37

The management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rate	Average revenue growth rate over the five-year forecast period is based on past performance and management's expectations of market development.
Costs and operating expenses	The percentage of costs and operating expenses of revenue is the average percentages over the five-year forecast period. It is based on current margin levels, with adjustments made to reflect the expected future price rises in labour, rental and relevant electronic equipment, in which management does not expect to be able to pass on to customers through price increases.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows rate beyond the forecast period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	The discount rate used reflects specific risks relating to the cash-generating units.

See "Risk Factors — Risks relating to our business and our industry — If we determine our goodwill and other intangible assets arising from the acquisition of Tianjin Ruidao are to be impaired, our results of operations and financial condition may be adversely affected" for risk relating to impairment of goodwill.

Liabilities

Trade and other payables

Our trade and other payables consisted primarily of miscellaneous expenses received from students, borrowings from related parties, salary and welfare payables, deposits, government subsidies payable to students, payables for purchases of property, plant and equipment, and payables for administrative cost. The table below sets forth the breakdown of our other payables as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables				
Amount due to related parties	12,087	—	—	—
Amount due to third parties	810	1,033	972	842
Trade payables	12,897	1,033	972	842
Other payables				
Miscellaneous expenses received from students	42,934	51,192	52,008	50,561
Amount due to related parties	21,092	3,381	3,016	366,232
Payables in relation to the Listing	—	2,121	8,419	9,202
Borrowings from related parties	212,793	40	—	—
Salary and welfare payables	33,847	44,501	49,374	45,202
Deposits	14,574	16,422	19,433	22,349
Government subsidies payable to students	6,742	2,010	2,214	8,926
Payables for purchases of property, plant and equipment	31,493	18,431	58,777	44,442
Payables for administrative cost	12,125	11,327	14,880	26,869
Refund liability	—	—	—	27,465
Tax payables	6,850	4,427	8,449	5,558
Interest payables to bank	39	459	3,438	5,909
Others	7,614	8,483	5,551	5,667
Less: non-current portion				
- Deposits	(80)	—	—	—
- Amount due to related parties	—	—	—	(675)
Other payables — current portion	**390,023**	**162,794**	**225,559**	**617,707**
Total trade and other payables	**402,920**	**163,827**	**226,531**	**618,549**

Our trade and other payables amounted to RMB402.9 million, RMB163.8 million, RMB226.5 million and RMB618.5 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. The decrease from RMB402.9 million as of 31 December 2017 to RMB163.8 million as of 31 December 2018 was primarily due to a decrease of RMB212.8 million in borrowings from related parties while we increased borrowings from banks. The increase from RMB163.8 million as of 31 December 2018 to RMB226.5 million as of 31 December 2019 was primarily due to an increase of RMB40.3 million in payables for purchases of property, plant and equipment which primarily represented the construction contract price payable by Dalian University for the construction of a practical training base. The increase from RMB226.5 million as of 31 December 2019 to RMB618.5 million as of 31 March 2020 was primarily attributable to an increase in amount due to related parties, which represents the consideration of RMB362.8 million payable to Neusoft Holdings for the acquisition of Tianjin Ruidao. As of 31 July 2020, trade and other payables of RMB194.3 million, representing 31.4% of our trade and other payables of RMB618.5 million as of 31 March 2020, had been paid.

Contract Liabilities

We record tuition fees and boarding fees initially as a liability under contract liabilities and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. Therefore, our contract liabilities are generally higher at the beginning of each school year. As a school year typically commences in September each year, and amounts of contract liabilities as of a balance sheet date generally represented the amount of tuition fees and boarding fees received but not yet recognised as revenue for the applicable year. In addition, we record revenue from full-time formal higher education services and continuing education services initially as a liability under contract liabilities and recognise the revenue over the contract period with customers. The table below sets forth our contract liabilities as of the dates indicated:

	As of 31 December			As of 31 March
	2017	**2018**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Tuition fees	346,560	367,584	400,600	288,845
Boarding fees	35,669	40,904	44,930	7,970
Continuing education services	27,361	39,446	41,795	39,769
Education resources and apprenticeship programme	1,571	620	233	9,350
Development of software system technology	605	1,390	1,878	3,400
Total	**411,766**	**449,944**	**489,436**	**349,334**

Our contract liabilities amounted to RMB411.8 million, RMB449.9 million, RMB489.4 million and RMB349.3 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. The increase from RMB411.8 million as of 31 December 2017 to RMB449.9 million as of 31 December 2018 was mainly due to an increase in our revenue derived from tuition and boarding fees and an increase in revenue from continuing education services for the year ended 31 December 2018. The increase from RMB449.9 million as of 31 December 2018 to RMB489.4 million as of 31 December 2019 was mainly due to an increase in our revenue derived from tuition and boarding fees. The decrease from RMB489.4 million as of 31 December 2019 to RMB349.3 million as of 31 March 2020 was primarily because (i) towards the end of a school year, most of the tuition fees and boarding fees received before or at the beginning of the school year had been recognised as revenue and were no longer recorded as contract liabilities, and (ii) we reclassified certain portion of contract liabilities to refund liability as a result of boarding fee refund to our students due to campus closing caused by COVID-19, which were partially offset by the increase in contract liabilities from education resources and apprenticeship programme as a result of our acquisition of Tianjin Ruidao.

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 RMB332.6 million, RMB214.8 million, RMB562.9 million and RMB455.0 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. We generally use our excess cash to invest in wealth management products.

During the Track Record Period, our principal uses of cash have 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 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 Flow

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

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Operating cash flows before movements in working capital	317,755	310,173	343,272	38,637	47,651
Movements in working capital	28,025	38,673	59,935	(114,367)	(121,562)
Income tax paid	(2,056)	(5,643)	(22,235)	(4,934)	(7,481)
Net cash generated from/(used in) operating activities	343,724	343,203	380,972	(80,664)	(81,392)
Net cash used in investing activities	(67,299)	(159,805)	(455,430)	(247,804)	(116,611)
Net cash (used in)/ generated from financing activities	(4,072)	(301,127)	422,502	272,302	90,100
Net (decrease)/ increase in cash and cash equivalents	272,353	(117,729)	348,044	(56,166)	(107,903)
Cash and cash equivalents at beginning of the year/ period	60,230	332,558	214,834	214,834	562,882
Cash and cash equivalents at the end of the year/ period	332,558	214,834	562,882	158,663	455,013

Cash Flows from/(used in) Operating Activities

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

For the three months ended 31 March 2020, we had net cash used in operating activities of RMB81.4 million, primarily due to our profit before income tax of RMB8.6 million, as adjusted by (i) an income tax paid of RMB7.5 million, (ii) changes in working capital, which primarily comprised of (a) a decrease in contract liabilities of RMB140.1 million, reflecting an increase in tuition fee income from our full-time formal higher education services, and (b) an increase of trade receivables of RMB11.0 million mainly due to the expansion of our business after our acquisition of Tianjin Ruidao, and (iii) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB25.2 million.

For the year ended 31 December 2019, we had net cash from operating activities of RMB381.0 million, primarily due to our profit before income tax of RMB199.0 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB88.8 million, finance expenses of RMB39.7 million, and (ii) changes in working capital, which primarily comprised an increase in contract liabilities of RMB39.5 million, reflecting an increase in tuition fee income from our full-time formal higher education services, an increase in trade and other payables of RMB19.4 million as a result of increases in payables in connection with Listing, employee compensations and taxes, and an increase in prepayments, deposits and other receivables of RMB10.6 million due to our payment of a security deposit for Chengdu University's acquisition of a parcel of land, which was recorded as other receivables.

For the year ended 31 December 2018, we had net cash from operating activities of RMB343.2 million, primarily due to our profit before income tax of RMB171.0 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB88.1 million and finance expenses of RMB37.9 million, and (ii) changes in working capital, which primarily comprised an increase in contract liabilities of RMB38.2 million, reflecting an increase in tuition fee income from our full-time formal higher education services, and a decrease in prepayments, deposits and other receivables of RMB32.5 million.

For the year ended 31 December 2017, we had net cash from operating activities of RMB343.7 million, primarily due to our profit before income tax of RMB161.6 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB85.7 million, finance expenses of RMB36.2 million and depreciation of right-of-use assets of RMB28.3 million; and (ii) changes in working capital, which primarily comprised an increase in contract liabilities of RMB33.5 million, reflecting an increase in tuition fee income from our full-time formal higher education services, and an increase in trade and other payables of RMB21.3 million.

Cash Flows Used in Investing Activities

Our expenditures for investing activities were primarily for the purchases of financial assets measured at fair value through profit or loss, purchases of property, buildings and equipment, loans granted to related parties, and payment for land use right.

For the three months ended 31 March 2020, we had net cash used in investing activities of RMB116.6 million, which was primarily attributable to (i) purchases of financial assets measured at fair value through profit or loss of RMB229.3 million; (ii) purchases of property, plant and equipment of RMB56.8 million, which were partially offset by acquisition of a subsidiary (net of cash acquired) of RMB42.0 million.

For the year ended 31 December 2019, we had net cash used in investing activities of RMB455.4 million, which was primarily attributable to (i) payment for land use right of RMB371.1 million; (ii) purchases of financial assets measured at fair value through profit or loss of RMB312.6 million; and (iii) purchases of property, plant and equipment of RMB177.6 million, which were partially offset by settlements of financial assets measured at fair value through profit or loss of RMB401.4 million.

For the year ended 31 December 2018, we had net cash used in investing activities of RMB159.8 million, which was primarily attributable to (i) purchases of financial assets measured at fair value through profit or loss of RMB939.8 million; and (ii) purchases of property, plant and equipment of RMB70.9 million, which were partially offset by settlements of financial assets measured at fair value through profit or loss of RMB860.2 million.

For the year ended 31 December 2017, we had net cash used in investing activities of RMB67.3 million, which was primarily attributable to (i) purchases of financial assets measured at fair value through profit or loss of RMB642.2 million; (ii) purchases of property, plant and equipment of RMB98.0 million; (iii) loans granted to related parties of RMB40.0 million; and (iv) payment for land use right of RMB26.9 million, which were partially offset by (i) settlements of financial assets measured at fair value through profit or loss of RMB645.4 million; and (ii) repayment of loan from related parties of RMB94.1 million. In addition, we extended a loan of RMB200,000 to a third party, Dalian Software Engineering Magazine, at the market interest rate.

Our PRC Legal Adviser has advised us that extension of loans by us to related parties and third parties during the Track Record Period may not fully comply with the General Lending Provisions (《貸款通則》) issued by the PBOC on 28 June 1996. However, as advised by our PRC Legal Adviser, the Provisions on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretation on Private Lending**"), which was effective from 1 September 2015 and amended on 18 August 2020, provides that a loan agreement between enterprises for purposes of facilitating the production or business operation is valid and enforceable, except for the circumstances as set forth in Article 52 of the PRC Contract Law (《中華人民共和國合同法》) or Article 14 of the Judicial Interpretation on Private Lending including where a loan agreement is in violation of a mandatory and effectiveness-related provision under a PRC law or administrative regulation. The Judicial Interpretation on Private Lending also provides that the mutually-agreed interest shall be enforced unless the interest rate agreed upon by both parties is four times higher than the market interest rate quoted for one-year loan at the time when the contract is executed. Our PRC Legal Adviser is of the view that the loans we extended to related parties and third parties during the Track Record Period are valid and enforceable, because (i) as prescribed in the PRC Legislation Law (《中華人民共和國立法法》), the General Lending Provisions is not a law or administrative regulation, but department rules; (ii) we confirm that no circumstances as set forth in Article 52 of the PRC Contract Law or Article 14 of the Judicial Interpretation on Private Lending exists in relation to the loans we extended; and (iii) the interest rates under the loans at issue do not exceed the aforementioned threshold.

Given that (i) such loan agreements are valid and enforceable as discussed above; and (ii) the General Lending Provisions was promulgated over 20 years ago and the administration of lending between non-financial institutions has been evolving towards deregulation as reflected by the issuance of the Judicial Interpretation on

Private Lending, our PRC Legal Adviser is of the view that the extension of loans by us to related parties and third parties will not result in any material adverse legal consequences notwithstanding that it may not fully comply with the General Lending Provisions.

Cash Flows (Used in)/Generated from Financing Activities

Our expenditures for financing activities were primarily for payment of dividends, the repayments of borrowings and payment of interest expense.

For the three months ended 31 March 2020, we had net cash generated from financing activities of RMB90.1 million, which was primarily attributable to (i) proceeds from borrowings of RMB240.0 million, and (ii) interest paid of RMB6.9 million, which were partially offset by repayments of borrowings of RMB140.0 million.

For the year ended 31 December 2019, we had net cash generated from financing activities of RMB422.5 million, which was primarily attributable to (i) proceeds from borrowings of RMB763.1 million, and (ii) borrowings from related parties of RMB200.0 million, which were partially offset by (iii) repayment of borrowings to related parties of RMB200.0 million, and (iv) repayments of borrowings of RMB291.0 million.

For the year ended 31 December 2018, we had net cash used in financing activities of RMB301.1 million, which was primarily attributable to (i) repayment of borrowings of RMB247.5 million; (ii) repayment of borrowings to related parties of RMB216.5 million; and (iii) payment of deemed distribution of RMB84.0 million, which were partially offset by proceeds from borrowings of RMB349.0 million.

For the year ended 31 December 2017, we had net cash generated from financing activities of RMB4.1 million, which was primarily attributable to (i) borrowings from related parties of RMB348.3 million; and (ii) proceeds from borrowings of RMB280.0 million, which were partially offset by (i) repayment of borrowings of RMB346.2 million; and (ii) repayment of borrowings from related parties of RMB212.7 million.

Working Capital

We intend to continue to finance our working capital 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 universities.

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 or other educational institutions, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our universities and hiring additional teachers and other educational staff.

Based on our available cash balance, the anticipated cash flow from operations, available banking facilities and the net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this document.

Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

SELECTED UNAUDITED FINANCIAL INFORMATION OF TIANJIN RUIDAO

The following discussions and analysis is related to Tianjin Ruidao, which we acquired in March 2020. See "Business — Acquisition of Tianjin Ruidao" and "History, Reorganisation and corporate structure — Corporate structure — Corporate developments following the Reorganisation" for further information.

The following table sets out certain selected unaudited financial information of Tianjin Ruidao during the Track Record Period:

	For the year ended / As of 31 December			For the three months ended / As of 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	247,632	159,771	170,971	24,984	21,795
Gross profit / (loss)	109,757	69,275	64,267	673	(5,097)
Net profit / (loss)	59,397	20,655	20,238	(8,623)	(19,567)
Net assets	185,648	185,226	172,634	176,603	139,067

We present certain selected unaudited financial information of Tianjin Ruidao so as to provide additional information to investors in understanding and evaluating the performance of Tianjin Ruidao during the Track Record Period. Please note that the accounting standards used for preparing the financial statements of Tianjin Ruidao before the acquisition are different from, and not comparable to, the accounting standards used to prepare our audited financial statements as included in this document, and the selected financial information of Tianjin Ruidao we present here was neither audited nor reviewed by our reporting accountant.

The financial statements of Tianjin Ruidao were only consolidated into our financial statements since 1 March 2020. As a result, Tianjin Ruidao's financial information for the three months ended and as of 31 March 2020 was prepared based on (i) the consolidated financial statements of Tianjin Ruidao for the period from 1 March 2020 to 31 March 2020 that were prepared under IFRS and audited by our reporting accountant; and (ii) the consolidated financial statements of Tianjin Ruidao for the period from 1 January 2020 to 29 February 2020 that were prepared using accounting standards different from IFRS and were not audited by our reporting accountant.

The presentation of certain selected unaudited financial information of Tianjin Ruidao is for illustrative purposes only. If such financial information was prepared under IFRS and audited by our reporting accountant, such financial information could be different substantially from the financial information we present here. Investors should not place undue reliance on such selected unaudited financial information of Tianjin Ruidao.

Revenue

Tianjin Ruidao's revenue decreased from RMB247.6 million in 2017 to RMB159.8 million in 2018, primarily because Tianjin Ruidao (i) transferred its education software services business to us as part of the reorganisation process, see item (d) under "History, Reorganisation and corporate structure — Reorganisation — Onshore reorganisation — Transfers of equity interests by the former Neusoft Holdings Group"; (ii) discontinued its supply of practical training services to our three universities as our three universities further improved their practical training capabilities and were able to provide relevant services without procuring services from Tianjin Ruidao; and (iii) terminated its software development business as it was considered by Tianjin Ruidao to be not aligned with its primary business of providing short-term training services to individual customers and practical training services to students of higher education institutions.

Tianjin Ruidao's revenue increased from RMB159.8 million in 2018 to RMB171.0 million in 2019, primarily due to the growth of revenue from providing short-term training services to individual customers and practical training services to students of higher education institutions.

Tianjin Ruidao's revenue decreased from RMB25.0 million for the three months ended 31 March 2019 to RMB21.8 million for the three months ended 31 March 2020, primarily due to a decline in the number of students enroled in Tianjin Ruidao's short-term training programmes from 852 in the first quarter of 2019 to 536 in the first quarter of 2020 as a result of COVID-19 pandemic, which led to our inability to conduct in-campus marketing and promotional activities as a result of temporary campus closures and our inability to offer face-to-face course instruction which negatively affected individual customers' willingness to take our training courses.

Gross profit / (loss)

Tianjin Ruidao's gross profit decreased from RMB109.8 million in 2017 to RMB69.3 million in 2018, primarily due to the decrease in Tianjin Ruidao's revenue from 2017 to 2018. See "— Selected unaudited financial information of Tianjin Ruidao — Revenue" above for information on the decrease in revenue.

Tianjin Ruidao's gross profit decreased from RMB69.3 million in 2018 to RMB64.3 million in 2019, primarily because Tianjin Ruidao ceased to operate its education software services business in September 2018, which has a higher margin than other businesses of Tianjin Ruidao.

Tianjin Ruidao's had a gross loss of RMB5.1 million for the three months ended 31 March 2020, compared to a gross profit of RMB0.7 million for the three months ended 31 March 2019. Tianjin Ruidao had a gross loss for the three months ended 31 March 2020, primarily due to (i) a decrease of revenue of RMB3.2 million, and (ii) an increase in labour cost as Tianjin Ruidao increased its overall employee compensation level since July 2019.

Net profit / (loss)

Tianjin Ruidao's net profit decreased from RMB59.4 million in 2017 to RMB20.7 million in 2018, primarily due to the decrease in Tianjin Ruidao's revenue from 2017 to 2018. See "— Selected unaudited financial information of Tianjin Ruidao — Revenue" above for information on the decrease in revenue.

Tianjin Ruidao's net profit decreased slightly from RMB20.7 million in 2018 to RMB20.2 million in 2019.

Tianjin Ruidao's business is subject to seasonal fluctuations and generally has a net loss in the first quarter of a calendar year. This is primarily because (i) Tianjin Ruidao typically generates less revenue from short-term training services in the first quarter due to Chinese New Year holiday season, (ii) revenue from providing practical training services provided to students of higher education institutions is not recognised during winter vacation (which falls in the first quarter and generally lasts for one month) based on Tianjin Ruidao's revenue recognition policies, and (iii) Tianjin Ruidao generates revenue from providing innovation and entrepreneurial education service to higher education institutions usually in the second half of a calendar year.

Tianjin Ruidao's net loss increased from RMB8.6 million for the three months ended 31 March 2019 to RMB19.6 million for the three months ended 31 March 2020, primarily due to (i) a decrease in gross profit of RMB5.8 million, (ii) an increase in administrative expenses mainly as a result of increases in employee compensation level since July 2019, equipment leasing costs and depreciation costs, and (iii) an increase in spending on research and development to further develop its curriculum resources.

Net assets

Tianjin Ruidao's net assets slightly decreased from RMB185.6 million as of 31 December 2017 to RMB185.2 million as of 31 December 2018.

Tianjin Ruidao's net assets decreased from RMB185.2 million as of 31 December 2018 to RMB172.6 million as of 31 December 2019, primarily because Tianjin Ruidao declared a dividend distribution.

Tianjin Ruidao's net assets decreased from RMB172.6 million as of 31 December 2019 to RMB139.1 million as of 31 March 2020, primarily due to a net loss incurred in the three months ended 31 March 2020 and downward accounting adjustments of RMB16.4 million made to the opening balance of retained earnings on 1 March 2020 during the course of auditing Tianjin Ruidao's financial statements for the period from 1 March 2020 to 31 March 2020, which was prepared pursuant to IFRS, while similar adjustments were not made to the unaudited financial statements of Tianjin Ruidao before the acquisition.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to maintaining and upgrading the existing school premises, purchasing land use rights, additional educational facilities and equipment for our universities. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our capital expenditures were RMB127.5 million, RMB72.0 million, RMB551.6 million and RMB57.0 million, respectively. The following table sets forth the breakdown of our capital expenditures for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Purchase of property, plant and equipment	98,037	70,863	177,592	41,971	56,795
Payment for land use right	26,864	—	371,088	254,740	—
Purchase of intangible assets	2,580	1,109	2,967	94	224
Total	**127,481**	**71,972**	**551,647**	**296,805**	**57,019**

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of land use rights, 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 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Commitment for acquisition of property, plant and equipment and land use right	2,872	288,623	186,016	161,221

Our commitment for acquisition of long-term assets amounted to RMB2.9 million, RMB288.6 million, RMB186.0 million and RMB161.2 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. Our commitment for acquisition of property, plant and equipment and land use right as of 31 December 2018 and 2019 and 31 March 2020, respectively, was higher than that as of 31 December 2017, primarily because we have been upgrading our existing school facilities and expanding our campus. See "Business — Campus facilities and services — Upgrade and expansion plans" in this document for more details.

Operating Lease Income

We lease out certain buildings to related parties and third parties under operating lease agreements. The table below sets forth our future aggregate minimum lease income in respect of buildings under operating leases as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
No later than one year	27,047	28,334	19,067	11,934
Later than 1 year and no later than 5 years	30,900	14,097	17,872	17,385
Later than 5 years	162	—	—	3,272
Total	**58,109**	**42,431**	**36,939**	**32,591**

INDEBTEDNESS

Bank Loans and Other Borrowings and lease liabilities

Our bank loans and other borrowings consisted primarily of short-term working capital loans and long-term borrowings for the construction of the school premises. Our bank loans and other borrowings and lease liabilities as of 31 December 2017, 2018, 2019, 31 March 2020 and 31 July 2020, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 December			As of 31 March	As of 31 July
	2017	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Bank loans and other borrowings and lease liabilities					
Current					
Bank loans					
— unsecured	30,000	182,040	221,164	223,164	545,120
— secured	208,500	40,000	252,000	252,000	22,500
Other borrowings					
— unsecured	212,793	40	—	—	20,000
Lease liabilities					
— unsecured	3,026	7,699	5,601	9,983	9,675
Total	454,319	229,779	478,765	485,147	597,295

	As of 31 December			As of 31 March	As of 31 July
	2017	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Non-current					
Bank loans					
— unsecured	60,000	153,940	226,900	289,900	156,000
— secured	128,000	152,000	298,734	333,770	331,298
Lease liabilities					
— unsecured	4,621	44,456	39,647	44,551	45,835
Total	192,621	350,396	565,281	668,221	533,133
Total indebtedness	646,940	580,175	1,044,046	1,153,368	1,130,428
Carrying amount repayable					
Bank loans					
Within one year	238,500	222,040	473,164	475,164	567,620
Between one and two years	60,000	79,040	200,634	223,670	102,298
Between two and five years	128,000	206,900	241,000	313,000	317,000
Above five years	—	20,000	84,000	87,000	68,000
Total	426,500	527,980	998,798	1,098,834	1,054,918
Other borrowings					
Within one year or on demand	212,793	40	—	—	20,000
Total	212,793	40	—	—	20,000
Lease liabilities					
Current	3,026	7,699	5,601	9,983	9,675
Non-current	4,621	44,456	39,647	44,551	45,835
Total	7,647	52,155	45,248	54,534	55,510
Total indebtedness	646,940	580,175	1,044,046	1,153,368	1,130,428

We primarily borrow loans from commercial banks to supplement our working capital and finance our expenditure. The bank loans and other borrowings as of 31 December 2017, 2018, 2019 and 31 March 2020 were all denominated in Renminbi. As of 31 July 2020, our unutilised banking facilities amounted to RMB1,596.6 million.

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

	As of 31 December			As at 31 March	As at 31 July
	2017	2018	2019	2020	2020
Bank borrowings	4.69%	4.96%	4.91%	4.90%	4.88%

During the Track Record Period and up to 31 July 2020, certain of our bank loans were secured by (i) our Group's right over tuition and boarding fees, (ii) property owned by our Group, and (iii) guarantees provided by our related parties. As of the Latest Practicable Date, all guarantees and pledges provided by our Group's related parties had been released. For details of the loans to be repaid by the net proceeds from the Global Offering, please refer to "Future Plans and Use of Proceeds — Use of Proceeds."

Except as aforesaid and apart from intra-group liabilities, as of 31 July 2020, 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 date of this document, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the date of this document. 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 date of this document.

CONTINGENT LIABILITIES

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

LISTING EXPENSES

We expect to incur a total of approximately RMB113.6 million (equivalent to approximately HK$128.8 million) of Listing expenses in relation to the Global Offering (assuming an Offer Price of HK$5.70 per Offer Share, being the mid-point of our Offer Price Range of HK$5.18 to HK$6.22 per Offer Share, and assuming the Over-allotment Option is not exercised), of which approximately RMB9.4 million and RMB20.7 million have been charged to our consolidated statement of comprehensive income for the year ended 31 December 2018 and 2019, respectively, and approximately RMB46.1 million is expected to be charged to our consolidated statement of comprehensive income for the year ending 31 December 2020, and approximately RMB37.4 million is directly attributable to the issue of the Shares to the public and to be capitalised. The listing expenses mainly represent professional fees paid and payable to the professional parties in relation to the Global Offering, 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 in 2020.

FINANCIAL RATIOS

	As of/for the year ended 31 December			As of/for the three months ended 31 March	
	2017	2018	2019	2019	2020
Gross profit margin(1)	32.1%	31.9%	33.7%	16.1%	18.5%
Net profit margin(2)	19.6%	19.2%	18.3%	2.7%	7.7%
Return on assets(3)	7.5%	8.7%	8.0%	0.2%	0.4%
Return on equity(4)	25.4%	28.0%	27.9%	0.8%	1.7%
Current ratio(5)	47.5%	42.7%	50.5%	25.9%	48.5%
Gearing ratio(6)	103.2%	107.0%	146.4%	113.0%	152.5%
Net debt to equity ratio(7)	50.2%	67.4%	67.5%	84.0%	92.4%

Notes:

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

(2) Net profit margin equals our profit for the year/period divided by revenue for the year/period.

(3) Return on assets equals profit for the year/period divided by average assets as of the beginning and the end of the year/period.

(4) Return on equity equals profit for the year/period divided by average equity as of the beginning and the end of the year/period.

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

(6) Gearing ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) divided by total equity as of the end of the year/period.

(7) Net debt to equity ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) net of cash and cash equivalents, and divided by total equity as of the end of the year/period.

Analysis of Key Financial Ratios

Gross Profit Margin

Our gross profit margin decreased from 32.1% for the year ended 31 December 2017 to 31.9% for the year ended 31 December 2018, and then increased to 33.7% for the year ended 31 December 2019. Our overall gross profit margin remained stable between 2017 and 2018 because the growth of our low-margin apprenticeship programme offset the increased gross profit margin of our full-time formal higher education services resulting from the raise of tuition fees and boarding fees. Our gross profit margin increased from 31.9% in 2018 to 33.7% in 2019, primarily because (i) we raised tuition fee rates for our full-time formal higher education programmes, and (ii) revenue from education resources business, which generally has a higher gross profit margin, accounted for a larger portion of our total revenues in 2019.

Our gross profit margin increased from 16.1% for the three months ended 31 March 2019 to 18.5% for the three months ended 31 March 2020, primarily due to (i) the increase in our tuition fees for our full-time formal higher education programmes, and (ii) the decrease of our revenue generated from apprenticeship programme, which generally has a lower profit margin.

Our gross profit margin for the first quarter of the year is usually lower than that for the whole year, primarily because we recognise tuition fees for our full-time formal higher education as revenue over the school year based on the school calendar, while the cost of revenue is recognised throughout the year on a 12-month period. Since no tuition fees are recognised as revenue during the winter vacation which typically lasts for over one month in the first quarter of the year, cost of revenue for the corresponding period usually accounts for a larger portion of revenue for the first quarter of the year as compared to that for the whole year.

Net Profit Margin

Our net profit margin decreased from 19.6% for the year ended 31 December 2017 to 19.2% for the year ended 31 December 2018, and then decreased to 18.3% for the year ended 31 December 2019. Our net profit margin remained stable between 2017 and 2018 mainly because (i) our gross profit margin remained stable during the same period, and (ii) the increase in our administrative expenses was offset by a decrease in our income tax expense during the same period, whereas our other expense and income remained relatively constant. Our net profit margin decreased from 19.2% in 2018 to 18.3% in 2019, primarily because we incurred a higher amount of administrative expenses mainly due to Listing expenses, and income tax paid.

Our net profit margin increased from 2.7% for the three months ended 31 March 2019 to 7.7% for the three months ended 31 March 2020, primarily due to (i) the growth of our gross profit margin, (ii) a decrease in Listing expenses, (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for 2020 took place in March 2020, earlier than that for 2019, which took place in April 2019, and (iv) an increase in tax credit due to a higher amount of deferred income tax assets we recorded for the three months ended 31 March 2020.

Return on Assets

Our return on assets ratio increased from 7.5% for the year ended 31 December 2017 to 8.7% for the year ended 31 December 2018, primarily due to the increases in our net profit during these periods. Our return on assets decreased from 8.7% in 2018 to 8.0% in 2019, because the growth of our assets outpaced the growth of our net profit. Despite the fast growth of our revenue, the slower growth of our net profit was primarily due to a higher amount of (i) administrative expenses mainly as a result of an increase in Listing expenses we incurred in 2019, and (ii) income tax paid by Shanghai Ruixiang in 2019 as it started to pay the enterprise income tax at a preferential rate of 12.5% in 2019 after the expiration of the two-year enterprise income tax exemption according to a "two-year exemption, three-year 50% reduction" preferential enterprise income tax treatment. The faster growth of our assets was primarily due to the growth of our non-current assets along with our investments in fixed assets in connection with our campus expansion.

We had return on assets ratio of 0.4% for the three months ended 31 March 2020 as compared to return on assets ratio of 0.2% for the three months ended 31 March 2019, primarily because the increase of net profit outpaced the growth of our assets. The faster growth of our net profit was primarily due to (i) the growth of our gross profit margin, (ii) a decrease in Listing expenses and (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for the year of 2020 took place in March 2020, earlier than that for the year of 2019, which took place in April 2019.

Return on Equity

Our return on equity ratio increased from 25.4% for the year ended 31 December 2017 to 28.0% for the year ended 31 December 2018, primarily because our net profits increased during the same periods. Our return on equity for the year ended 31 December 2019 maintained stable at 27.9% primarily because our total equity also increased while there was an increase in our net profit in 2019.

We had return on equity ratio of 1.7% for the three months ended 31 March 2020 as compared to return on equity ratio of 0.8% for the three months ended 31 March 2019, primarily because the increase of net profit outpaced the growth of our total equity. The faster growth of our net profit was primarily due to (i) the growth of our gross profit margin, (ii) a decrease in Listing expenses and (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for the year of 2020 took place in March 2020, earlier than that for the year of 2019, which took place in April 2019.

Current Ratio

Our current ratio decreased from 47.5% as of 31 December 2017 to 42.7% as of 31 December 2018 due to decreases in our cash and cash equivalents and prepayments as of 31 December 2018. Our current ratio increased from 42.7% as of 31 December 2018 to 50.5% for the year ended 31 December 2019 due to the growth of our current assets mainly as a result of an increase in cash generated from our operating activities in 2019.

Our current ratio decreased to 48.5% for the three months ended 31 March 2020, primarily because an increase in our current liabilities mainly attributable to the consideration of RMB362.8 million payable to Neusoft Holdings for the acquisition of Tianjin Ruidao.

Gearing Ratio

Our gearing ratio increased from 103.2% as of 31 December 2017 to 107.0% as of 31 December 2018, and then increased to 146.4% for the year ended 31 December 2019, due to (i) an increase in bank loans to supplement our working capital, and (ii) a decrease in our total equity. See "Summary — Summary of historical financial information — Summary of consolidated statements of financial position" for more information regarding the decrease in our total equity in 2018. Our gearing ratio increased from 107.0% as of 31 December 2018 to 146.4% as of 31 December 2019, primarily due to increase in bank borrowings to supplement our working capital and to execute our upgrade and expansion plans in 2019.

Our gearing ratio increased from 146.4% for the year ended 31 December 2019 to 152.5% for the three months ended 31 March 2020, primarily due to an increase in bank borrowings to finance our capital expenditure.

Net Debt to Equity Ratio

Our net debt to equity ratio increased from 50.2% as of 31 December 2017 to 67.4% as of 31 December 2018 primarily due to the decrease in our cash and cash equivalents as of 31 December 2018. Our net debt to equity ratio stayed stable as 67.5% for the year ended 31 December 2019.

Our net debt to equity ratio increased to 92.4% for the three months ended 31 March 2020, primarily due to an increase in bank borrowings to finance our capital expenditure and decrease in our cash and cash equivalents to maintain our business operations.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB' 000) (Unaudited)	(RMB' 000)
Borrowings from related parties[1]	348,295	4,003	200,000	200,000	—
Repayments of borrowings to related parties	212,745	216,503	200,000	—	—
Interest payable to related parties	13,375	11,935	7,108	2,311	—
Repayments of interest to related parties	13,189	12,188	7,148	40	—
Loan to related parties[2]	40,000	—	—	—	—
Repayments of loan from related parties	94,055	—	—	—	—
Interest income from related parties	494	—	—	—	—
Interest receivable from related parties	1,148	—	—	—	—
Purchasing goods and receiving services from related parties[3]	30,774	5,257	3,512	11	33
Selling goods and providing services to related parties[4]	44,293	104,677	122,208	62,650	15,872
Dividends declared or paid	25,324	56,766	—	—	—

Notes:

(1) During the Track Record Period, our Group received loans from Neusoft Holdings with a floating or fixed interest rate raised by 15% on the base of PBOC interest rate. The loans are unsecured and repayable on demand. Our Group also received loans Tianjin Ruidao, a majority-owned subsidiary of Neusoft Holdings, with a floating interest rate based on PBOC interest rate during the Track Record Period. The loans are unsecured and repayable on demand. As of 31 December 2019, all of borrowings from related parties had been settled.

(2) In 2017, our Group granted loans to Neusoft Holdings and charged interest with a floating interest rate based on PBOC interest rate. The loans to Neusoft Holdings was settled in December 2017.

In November 2017, our Group granted loans to Neusoft Venture Capital Co., Ltd., which experienced a short-term insufficiency of working capital, and charged interest with a floating interest rate based on PBOC interest rate. The loans to Neusoft Venture Capital Co., Ltd. was settled in December 2017 after it received cash from redemption of wealth management products.

These loans to related parties were short-term loans extended to Neusoft Holdings and certain of its subsidiaries by our current subsidiaries prior to the Reorganisation formulating our Group. These loans were extended at that time under the overall management of Neusoft Holdings based on the working capital sufficiency of Neusoft Holdings and its subsidiaries and had been fully repaid as of 31 December 2017. After the formulation of our Group, we ceased extending new loans to related parties and started to conduct our own treasury management independently. See "— Current assets and current liabilities — Discussion of key balance sheet items — Financial assets at fair value through profit or loss" for further details.

(3) Purchasing goods and receiving services were made at prices mutually agreed between our Group and related parties and conducted in the normal course of business.

(4) Selling goods and providing services were made at prices mutually agreed between our Group and related parties and conducted in the normal course of business.

The table below sets forth outstanding balances with our related parties as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Amounts due from related parties	39,669	9,022	442	2,124
Amounts due to related parties	33,179	3,381	3,016	366,232
Amounts prepaid by related parties	226	270	290	290
Amounts prepaid to related parties	69	48	55	—

As of 31 December 2017, 2018, 2019 and 31 March 2020, all of the above outstanding balances with our related parties are non-interest bearing, unsecured and repayable on demand.

The amounts due to related parties increased significantly to RMB366.2 million as of 31 March 2020, mainly due to the consideration payable to Neusoft Holdings of RMB362.8 million for the acquisition of Tianjin Ruidao in March 2020. In June 2020, approximately 31.9% of the consideration payable was paid to the seller and the rest is expected to be fully paid before the Listing.

As of 31 March 2020, we had non-trade balances with related parties of RMB367.1 million, among which consideration payable due to our acquisition of Tianjin Ruidao accounted for 98.8% of such balances. We will settle all non-trade balances with related parties before the Listing.

The table below sets forth guarantees for our borrowings from related parties as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Guarantees for borrowings by related parties	336,500	—	—	—

Our Directors believe that each of the related party transactions set out in Note 36 to the Accountant's Report in Appendix I to this document was conducted in the ordinary course of business on 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. As of the Latest Practicable Date, all the guarantees for our borrowings from related parties had been released.

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 interest rate 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.

Interest Rate Risk

We are exposed to cash flow interest rate risk in relation to bank balances and borrowings due to the fluctuation of the prevailing market interest rates. We are also exposed to fair value interest rate risk in relation to the short-term bank deposits and fixed-rate borrowings. We currently do not have any interest rate hedging policy in relation to interest rate risks. Our Directors will continuously monitor interest rate fluctuation and will consider hedging interest rate risk should the need arise. Our Directors consider our Group's exposure to the interest rate risk of bank balances is not significant. See Note 3 to the Accountant's Report in Appendix I for further details.

Credit Risk

Our principal financial assets are trade and other receivables, amounts due from related parties, and bank balances and cash. In order to minimise the credit risk on trade and other receivables and amounts due from related parties, 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 balances of other receivables. In addition, the credit risk on amounts due from related parties are reduced as we closely monitor the repayment of the related parties. There is no concentration of credit risk on bank balances and the credit risk on liquid funds is limited because the majority of the counterparties are banks in the PRC with good reputation.

Liquidity risk

As of 31 December 2017, 2018, 2019 and 31 March 2020, we had net current liabilities of RMB575.7 million, RMB509.0 million, RMB616.1 million and RMB773.1 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, our planned capital expenditures and capital commitments. 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.

DISTRIBUTABLE RESERVES

As of 31 March 2020, our Company had distributable reserves of RMB217.0 million.

DIVIDEND

We do not have any specific dividend policy such as pre-determined dividend payout ratio. 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, PRC's domestic investment companies and private schools, our Company's subsidiaries and our Consolidated Affiliated Entities must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors or shareholders meeting of each relevant entity prior to payment of dividends. For our JV and the other PRC subsidiaries and Consolidated Affiliated Entities in the form of companies, the statutory reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC Laws require private schools where the school sponsors require reasonable returns to make annual appropriations of no less than 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Whether our universities shall continue to make allocations to the development fund as required above post the Amendment will be subject to future regulations that are yet to be introduced.

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 Cayman Companies Law. 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 matter whether we choose to register our schools as for-profit private schools or non-profit private schools, it will not affect our dividend declaration decision. No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date. There is no assurance that dividends of any amount will be declared to distributed in any year.

During the Track Record Period, Tianjin Ruidao (relating to the provision of education software development business transfer to our Group), Dalian Yunguan and Dalian Education declared and paid dividends to their respective shareholders. See Note 14 to the Accountant's Report in Appendix I for further details. When the dividends were declared and paid, these entities had sufficient retained earnings available for dividend distribution, which was in compliance with the PRC Company Law.

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.

RECENT DEVELOPMENTS

For the six months ended 30 June 2020, we generated revenue of RMB439.6 million, representing a decrease of 3.4% compared with the revenue we generated for the six months ended 30 June 2019. Such decrease was due to (i) a decrease in revenue from boarding fees for the six months ended 30 June 2020 as we made provisions for boarding fee refund to students of RMB23.9 million for the six months ended 30 June 2020, and (ii) a decrease in revenue from our apprenticeship programme as we optimised our employee structure, in particular, our engineer team, to reduce cost. For the six months ended 30 June 2020, we still primarily relied on our engineering team to generate revenue for our apprenticeship programme. Revenue derived from charging enterprises for supplying well-trained students to such enterprises still accounted for a small portion of revenue from our apprenticeship programme during the six months ended 30 June 2020. Therefore, such decrease in the number of engineers resulted in the decrease of revenue from our apprenticeship programme. In order to increase our student training capacity with a reduced number of engineers and further improve the quality and effectiveness of our trainings, we applied internet technologies in student training in our apprenticeship programme. As the number of students from other universities and colleges in our apprenticeship programme increases in the future, we will further apply internet technologies to increase our student training capacity and improve the effectiveness of trainings offered by our apprenticeship programmes. Such decrease was partially offset by an increase in tuition fees we received for the 2019/2020 school year due to increased tuition fee rates and the consolidation of Tianjin Ruidao's revenue into our Group's revenue, which mainly contributed to the increases in revenues from continuing education services and provision of education resources. For the six months ended 30 June 2020, we had gross profit of RMB157.0 million, representing a decrease of 3.0% compared with the gross profit we had for the six months ended 30 June 2019. Such decrease was primarily caused by a decrease in revenue we generated for the six months ended 30 June 2020. Our revenue and gross profit for the six months ended 30 June 2020 as set out above have been extracted from our unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2020, which has been reviewed by our reporting accountant in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

We expect our administrative expenses to increase in 2020 due to the expenses incurred in relation to the Listing. We also expect to incur in 2020 share-based compensation for the options we plan to grant in 2020. As a result, our net profit in 2020 might be materially and negatively affected by such increased Listing expenses and the share-based compensation.

Our Directors confirm that, as of the Latest Practicable Date, other than disclosed above, there had been no material adverse change in the financial condition or prospects of our Group since 31 March 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there had been no event since 31 March 2020 and up to the date of this document that could materially affect the information shown in our Consolidated Financial Statements included in the Accountant's Report included in Appendix I to this document.

PROPERTIES AND VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as of 31 July 2020. Particulars of our property interests are set out in "Appendix III — Property Valuation Report" in this document.

The table below sets out the reconciliation between the net book value of our property as of 31 March 2020 as extracted from the Accountant's Report set out in Appendix I to this document and the market value of our property as of 31 July 2020 as extracted from the Property Valuation Report set out in Appendix III to this document:

	(RMB'000)
Net book value of our properties as of 31 March 2020 as set out in Appendix I to this document	1,495,334
Adjustment due to the inconsistences between property evaluations scope and accounting report classification	14,417
Additional capital expenditure	71,371
Depreciation and amortisation	(23,408)
Valuation surplus	1,346,969
Market value of the property as of 31 July 2020 as set out in Appendix III to this document	3,128,300

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 31 March 2020 as if it had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our

Group had the Global Offering been completed as of 31 March 2020 or any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of the Company as of 31 March 2020 as set out in the Accountant's Report in Appendix I to this document, and adjusted as described below:

	Audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2020(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	
	(RMB'000)	(RMB'000)	(RMB'000)	RMB	HK$(4)
Based on the Offer Price of HK$5.18 per Share	339,456	682,487	1,021,943	1.53	1.73
Based on the Offer Price of HK$6.22 per Share	339,456	829,257	1,168,713	1.75	1.98

Notes:

(1) The audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2020 is extracted from the Accountant's Report in Appendix I to this document, which is based on the audited consolidated net assets attributable to owners of our Company as of 31 March 2020 of RMB584,628,000 with an adjustment for the intangible assets of our Group as of 31 March 2020 of RMB245,172,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$5.18 per Share and HK$6.22 per Share, after deduction of the underwriting fees and other related expenses payable by our Company, 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 Pre-IPO Share Incentive Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1 to RMB0.8821 prevailing on 8 September 2020.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 666,667,200 Shares in issue immediately following the completion of the Global Offering (presuming the Assumptions).

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.8821. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.