

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Virscend Education Company Limited
成實外教育有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1565)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

UNAUDITED INTERIM RESULTS HIGHLIGHTS

	For the six months ended 28 February 2022 RMB'000 (Unaudited)	For the six months ended 28 February 2021 RMB'000 (Unaudited)	Change RMB'000	Percentage Change
REVENUE	298,659	259,227	39,432	15.2%
Gross profit/(loss)	85,689	79,173	6,516	8.2%
Net profit/(loss) from continuing operations	7,597	(63,695)	71,292	111.9%
Adjusted net profit/(loss) from continuing operations*	19,964	(3,935)	23,899	607.3%
Adjusted EBITDA from continuing operations**	127,048	93,836	33,212	35.4%

* Adjusted net loss from continuing operations was derived from the net loss from continuing operations after adjusting items which are not indicative of the Group's operating performance.

** Adjusted EBITDA from continuing operations is defined as adjusted net loss from continuing operations earnings before interest, tax, depreciation and amortisation ("EBITDA").

	For the six months ended 28 February 2022	For the six months ended 28 February 2021
Students enrolled	2022	2021
High-school	4,449	3,371
Kindergarten	—	706
University	18,518	17,557
Total number of students enrolled	22,967	21,634
Network school	7,432	6,501

	For the six months ended 28 February 2022	For the six months ended 28 February 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net profit/(loss) from continuing operations	7,597	(63,695)
Adjustments for:		
Amortisation of intangible assets arising from the acquisition of school	10,916	10,916
Foreign exchange (gain)/loss	1,451	569
Income tax and VAT impact arising from transaction between continued and discontinued operations	—	4,845
Impairment loss on an associate company	—	43,430
Adjusted net profit/(loss) from continuing operations	19,964	(3,935)

The board (the “Board”) of directors (the “Directors”) of Virscend Education Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 28 February 2022 (the “Reporting Period”) together with the comparative figures for the six months ended 28 February 2021 as follows:

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022**

		For the six months ended 28 February 2022 <i>RMB'000</i> (Unaudited)	For the six months ended 28 February 2021 <i>RMB'000</i> (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	298,659	259,227
Cost of sales		<u>(212,970)</u>	<u>(180,054)</u>
Gross profit/(loss)		85,689	79,173
Other income and gains	4	16,966	7,634
Research and development costs	10	(2,765)	(2,234)
Selling and distribution expenses		(1,929)	(6,075)
Administrative expenses		(47,566)	(54,082)
Other expenses		(2,538)	(46,965)
Finance costs	5	(37,756)	(29,835)
Share of losses of associates		<u>—</u>	<u>(2,326)</u>
PROFIT/(LOSS) BEFORE TAX	9	10,101	(54,710)
Income tax expense	6	<u>(2,504)</u>	<u>(8,985)</u>
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>7,597</u>	<u>(63,695)</u>
DISCONTINUED OPERATION			
Profit/(loss) for the period/year from a discontinued operation		<u>—</u>	<u>245,140</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>7,597</u>	<u>181,445</u>
Attributable to:			
Owners of the parent	8	10,136	160,830
Non-controlling interests		<u>(2,539)</u>	<u>20,615</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022**

	For the six months ended 28 February 2022 <i>RMB'000</i> (Unaudited)	For the six months ended 28 February 2021 <i>RMB'000</i> (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>7,597</u>	<u>181,445</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>239</u>	<u>66</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>239</u>	<u>66</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>239</u>	<u>66</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>7,836</u>	<u>181,511</u>
Attributable to:		
Owners of the parent	10,258	160,896
Non-controlling interests	<u>(2,422)</u>	<u>20,615</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022**

	Notes	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,564,826	2,360,938
Right-of-use assets	12	621,472	642,272
Other intangible assets		135,234	138,643
Goodwill		104,298	104,298
Other non-current assets		177,460	313,754
		3,603,290	3,559,905
CURRENT ASSETS			
Inventories		105	35
Trade receivable	13	5,832	1,300
Prepayments, other receivables and other assets		50,223	107,774
Amounts due from related parties		608,825	618,027
Cash and cash equivalents		126,101	631,733
		791,086	1,358,869
CURRENT LIABILITIES			
Trade payables	14	4,791	3,396
Other payables and accruals		177,553	197,401
Financial guarantee contracts		5,326	5,326
Interest-bearing bank and other borrowings	11	477,015	365,292
Leases liabilities	12	500	1,230
Tax payable		41,174	24,552
Contract liabilities	10	256,762	424,140
Deferred income		114	114
Amounts due to related parties	15	—	2,061,651
		963,235	3,083,102
NET CURRENT LIABILITIES		(172,149)	(1,724,233)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,431,141	1,835,672

		As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
TOTAL ASSETS LESS			
		3,431,141	1,835,672
CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	994,197	969,068
Deferred income		1,280	1,372
Contract liabilities	10	—	4,376
Amounts to related parties	15	1,628,031	—
Total non-current liabilities		2,623,508	974,816
Net assets		807,633	860,856
EQUITY			
Equity attributable to owners of the parent			
Share capital		26,051	26,051
Reserves		785,289	837,560
Non-controlling interest		(3,707)	(2,755)
Total equity		807,633	860,856

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

1. GENERAL INFORMATION, BASIS OF PREPARATION AND PRESENTATION

The Company was incorporated in the Cayman Islands on 13 March 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its shares have been listed (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 January 2016 (the “Listing Date”).

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing private education services in the People’s Republic of China (the “PRC”). There has been no significant change in the Group’s principal activities during the Reporting Period, except for the impact from 2021 Implementation Rules which cause the lose controls over those schools providing primary and middle school education services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 28 February 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the eight months ended 31 August 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the eight months ended 31 August 2021, as described in those annual financial statements.

- (i) The Group has adopted the following revised IFRSs for the first time for the current period's financial information:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS3,
- (b) Amendment to IAS 16
- (c) Amendments to IAS 37,
- (d) Annual Improvements to IFRSs 2018-2020

The Group has early adopted the amendment on 1 January 2022 and the application of the amendment has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in those interim condensed consolidated financial statements.

- (ii) New standards and amendments to existing standards have been issued but are not effective and have not been early adopted by the Group:

Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
IFRS 17	<i>Insurance Contracts</i> ¹
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{1, 4}
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{1, 3}
Amendments to IAS 1	<i>Definition of Accounting Policies</i> ¹
Amendments to IAS 8	<i>Disclosure of Accounting Estimates</i> ¹
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² No mandatory effective date yet determined but available for adoption

³ As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁴ As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing these interim condensed consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered, after deducting scholarships and refunds during the Reporting Period.

An analysis of revenue, other income and gains is as follows:

		For the six months ended 28 February 2022 <i>RMB'000</i> (Unaudited)	For the six months ended 28 February 2021 <i>RMB'000</i> (Unaudited)
Tuition fees		245,662	215,783
School canteen operations fees		22,110	12,577
Boarding fees		16,297	13,101
Non-formal tutoring tuition fees (early child and after-class training tuition fees)		5,345	8,366
Consultation services fees for overseas studies*		2,322	2,931
Educational management and consultation service fees (Note (i))		6,923	6,469
Total		298,659	259,227
Other income and gains			
Bank interest income	9	282	394
Other interest income	9	1,726	—
Government grants			
– related to assets		86	86
– related to income		8	433
Gain from derecognition of right-of-use assets and lease liabilities		—	689
Others		14,864	6,032
		16,966	7,634

- * Consultation services fees for overseas studies represent value-added services provided to the high school students who participated in the international program of the Group. Such services include, among others, global educational resource consultation service, international curriculum consultation service, study-abroad guidance and consultation service, profile enhancement service, as well as promotion plan service.

Notes:

- (i) The amount represented the income derived primarily from educational management and consultancy service provided to certain third party owned K-12 schools or kindergartens.

5. FINANCE COSTS

	For the six months ended 28 February 2022 RMB'000 (Unaudited)	For the six months ended 28 February 2021 RMB'000 (Unaudited)
Interest on bank and other borrowings	40,728	34,399
Interest on lease liabilities	28	26
Less: interest capitalised	(3,000)	(4,590)
	<u>37,756</u>	<u>29,835</u>

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

Hong Kong profits tax has not been provided as the Group did not derive any assessable profits in Hong Kong during the period/year.

According to the 2021 Implementation Rules not-for-profit private schools are eligible to enjoy the same preferential tax treatments as public schools. Based on the historical tax returns filed to the relevant tax authorities and the confirmations obtained previously from the local tax bureaus and local offices of the State Administration of Taxation, except for the kindergarten and for-profit private schools, the remaining schools within the Group were exempted from corporate income tax for the eight months ended 31 August 2021 and the six months ended 28 February 2022.

During the Reporting Period, Tibet Huatai Education Management Consulting Co., Ltd. (“Tibet Huatai”) was subject to the PRC income tax at an original tax rate of 9%. Other entities incorporated in mainland China and generally subject to the PRC income tax cut 25% unless preferential tax treatment is available.

Taxes on profits assessable elsewhere have been calculated at the tax rate prevailing in the countries in which the Group operates. The income tax expenses of the Group for the period are analysed as follows:

	For the six months ended 28 February 2022 <i>RMB'000</i> (Unaudited)	For the six months ended 28 February 2021 <i>RMB'000</i> (Unaudited)
Current — PRC		
Total tax charge for the period/year from continuing operations	2,504	8,985
Total tax charge for the period/year from discontinued operations	<u>—</u>	<u>—</u>
	<u>2,504</u>	<u>8,985</u>

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

7. DIVIDENDS

No dividend in respect of the eight months ended 31 August 2021 has been proposed by the Directors of the Company.

No dividend in respect of the period ended 28 February 2022 has been proposed by the Directors of the Company.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,088,761,000 (2020: 3,088,761,000) in issue during the Reporting Period.

There were no potentially dilutive ordinary shares in issue during the six months ended 28 February 2022 and the six months ended 28 February 2021, and therefore the diluted earnings/(loss) per share amounts were equivalent to the basic earnings/(loss) per share amounts.

The calculations of basic and diluted loss per share are based on:

	For the six months ended 28 February 2022 (Unaudited)	For the six months ended 28 February 2021 (Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent (RMB'000)	<u>10,136</u>	<u>160,830</u>
Shares		
Weighted average number of ordinary shares in issue	<u>3,088,761,000</u>	<u>3,088,761,000</u>
Basic and diluted earnings/(loss) per share (expressed in RMB per share)	<u>0.003</u>	<u>0.052</u>

9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 28 February 2022 RMB'000 (Unaudited)	For the six months ended 28 February 2021 RMB'000 (Unaudited)
Cost of services provided*	52,066	22,718
Canteen operation costs	22,754	13,619
Research and development costs**	2,765	2,234
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other allowances	90,591	85,479
Pension scheme contributions (defined contribution scheme)	9,543	8,761
Depreciation of property, plant and equipment	41,552	34,005
Amortisation of intangible assets	11,284	11,284
Depreciation of right-of-use assets	13,988	13,662
Impairment of investment in an associate***	—	43,430
Lease payments not included in the measurement of lease liabilities	326	348

		For the six months ended 28 February 2022 RMB'000 (Unaudited)	For the six months ended 28 February 2021 RMB'000 (Unaudited)
Bank interest income	4	(282)	(394)
Other interest income	4	(1,726)	—
Foreign exchange difference, net		1,451	569
Loss on disposal of items of property, plant and equipment		1	—

* *Cost of services provided represents “Cost of sales” in the consolidated statement of profit or loss excluding research and development costs, employee benefit expense, depreciation of property, plant and equipment, amortisation of intangible assets, and depreciation of right-of-use assets.*

** *Research and development costs for the year are disclosed as a stand-alone item in the consolidated statement of profit or loss instead of included in “Cost of sales”.*

*** *Impairment of investment in an associate for the six months ended 28 February 2021 is included in “Other expenses” in the consolidated statement of profit or loss.*

10. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Tuition fees	215,739	356,829
Boarding fees	15,645	27,155
School canteen operations fees	15,892	24,299
Consultation services fees for overseas studies and non-formal tutoring tuition fees	2,392	20,033
Educational management and consultation service fees	4,292	—
Others	2,802	—
	<u>256,762</u>	<u>428,316</u>

Contract liabilities include short-term advances received from students in relation to the services not yet provided and the portion of consultation service fees for overseas studies that will be provided after one year. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. The Group receives school canteen operation fees from students in advance prior to the beginning of each academic year or each semester. Tuition, boarding fees and school canteen operations are recognised proportionately over the relevant period of the applicable program.

The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

11. INTEREST-BEARING BANK AND OTHER BORROWING

		As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Non-current			
Secured			
Bank loans	a	527,800	497,500
Other loans (i)	a	<u>466,397</u>	<u>471,568</u>
		<u>994,197</u>	<u>969,068</u>
		As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Current			
Secured			
Bank loans	a	217,000	190,000
Current portion of long term bank loans	a	64,200	43,000
Other loans (i)	a	<u>195,815</u>	<u>132,292</u>
		<u>477,015</u>	<u>365,292</u>

- (i) Other loans represented the loan borrowed from third party leasing companies under sales and leaseback arrangements for certain property, plant and equipment by the Group.

a. More information in bank and other loans is analysed as follow:

As at 28 February 2022

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	4.45-6.90	2023	217,000
Current portion of long term bank loans – secured	4.80-7.00	2023	64,200
Other loans – secured	6.26-8.19	2023	<u>195,815</u>
Non-current			
Bank loans – secured	4.80-7.00	2033	527,800
Other loans – secured	6.26-8.19	2023	<u>466,397</u>
			<u><u>1,471,212</u></u>

As at 31 August 2021

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	4.45-6.90	2022	190,000
Current portion of long term bank loans – secured	4.80-7.00	2022	43,000
Other loans – secured	6.73-7.74	2022	<u>132,292</u>
Non-current			
Bank loans – secured	4.80-7.00	2033	497,500
Other loans – secured	6.73-7.74	2025	<u>471,568</u>
			<u><u>1,334,360</u></u>

12. LEASE

(a) Amount recognised in the consolidated statement of financial position

	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Right-of-use assets		
Prepaid land lease payments (i)	593,974	608,473
Buildings and other premises	27,498	33,799
	<u>621,472</u>	<u>642,272</u>
	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Lease liabilities		
Current	500	1,230
Non-current	—	—
	<u>500</u>	<u>1,230</u>

- (i) The Group has land use rights arrangement with mainland China government. The prepaid land lease payments were reclassified as right-of-use assets on adoption of IFRS16.

(b) Amount recognised in the unaudited interim condensed consolidated statement of comprehensive income

	For the six months ended 28 February 2022 <i>RMB'000</i> (Unaudited)
Depreciation charge of right-of-use assets	
– Buildings and other premises	6,300
– Prepaid land lease payments	14,500
	<hr/>
Interest on lease liabilities	<u>20,800</u>

For the six months ended 28 February 2022, the cash outflows from financing activities for leases were RMB1,709,600.73.

13. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	As at 28 February 2022	As at 28 February 2021
Within half year	<u>5,832</u>	<u>1,300</u>

14. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	As at 28 February 2022 <i>RMB'000</i> (Unaudited)	As at 31 August 2021 <i>RMB'000</i> (Audited)
Within 1 year	<u>4,791</u>	<u>3,396</u>

Trade payables of RMB4,791,068.93 (31 August 2021: RMB3,396,000) were due to canteen suppliers which are repayable within 90 days.

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. AMOUNTS TO RELATED PARTIES

During the Reporting Period, the Group repaid a total amount of RMB433.6 million to the Affected Entities. As at 28 February 2022, the outstanding aggregate amount of the payables to the Affected Entities is RMB1,628.0 million with interest free. In 5 January 2022, the loan arrangement had been ratified by the Group and the Affected Entities with a repayment term of five years, hence the balance of such payables as at 28 February 2022 had been re-classified as non-current liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business overview

The Group primarily engages in provision of formal private education services. PRC formal education industry primarily consists of fundamental education and higher education. The PRC fundamental education market can be further divided into four phases: pre-school, primary school, middle school and high school. Among the four phases of fundamental education, primary school and middle school constitute the nine-year compulsory education, while pre-school and high school constitute the non-compulsory education.

Discontinued operation - compulsory education

On 14 May 2021, the PRC State Council issued the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》), which came into effect on 1 September 2021 (“2021 Implementation Rules”), which contain various provisions related to the operation of non-profit schools providing compulsory education. Articles 45 of the 2021 Implementation Rules provides that, among others, a private school offering compulsory education shall not conduct any transaction with any “related party” since 1 September 2021. It would have significant negative impact on private education group engaging in the provision of compulsory education business through contractual arrangements amongst schools, sponsors and other related business entities. Tibet Huatai and PRC Operating Entities providing compulsory education would be highly likely to be considered related parties. Therefore in accordance with the 2021 Implementation Rules, the services provided pursuant to the Exclusive Technical Service and Management Consultancy Agreements would be prohibited since 1 September 2021 and the Group accordingly re-assessed Tibet Huatai’s control over the PRC Operating Entities providing compulsory education services. In view of the significant uncertainties and restrictions the 2021 Implementation Rules limited the Group’s ability to have the variable return from its involvement with and use its power to affect the return from those PRC Operating Entities providing compulsory education services, the Group concluded it lost control over those PRC Operating Entities providing compulsory education services since 31 August 2021.

Comparative information

All operating and financial data related to schools providing compulsory education not consolidated since 31 August 2021 has been excluded from current and comparative periods to provide a meaningful analysis.

As at 28 February 2022, the Group operated 11 high schools, universities and after-class tutoring centers in five cities in Sichuan Province, China, Hong Kong SAR and Irvine, the United States. Those 11 schools are categorized based on the table disclosed on page 35 of this announcement. Through these schools, the Group primarily offer formal education with comprehensive education programs in high-school and higher education institution.

Besides, the Group offered educational management and consultation service to three public K-12 schools and five privately owned kindergartens in Sichuan.

Certain schools providing both of compulsory and non-compulsory school education services are under process of legal separation into two legal entities: a not-for-profit school providing compulsory school education services and a for-profit high school providing non-compulsory school education services. Those schools will be consolidated into the Group since the new legal entity providing non-compulsory school education services only was established. Prior to the separation, these schools are not consolidated since 31 August 2021.

High schools

For Gaokao administered in 2021 (the “2021 Gaokao”), approximately 90.4% of the Group’s graduating high school students (from the two flagship high-schools namely Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School) who participated in the 2021 Gaokao achieved scores that allowed them to apply for and be accepted by first-tier universities in China. 27 of graduating high school students were admitted into Peking University and Tsinghua University (2020: 54) and 74 of the Group’s graduating high school students were recommended for admission into first-tier universities without taking the Gaokao (2020: 87).

In particular, those students from three high schools opened after 2017 who participated in 2021 Gaokao collectively attained 65.8% university admission rate, which all exceeded the average university admission rate of 30.9% in Sichuan Province. For a particular high school opened in 2018 in Dazhou, 67% of the graduates achieved scores that allowed them to apply for and be accepted by first-tier universities in China.

For students who are interested in attending colleges and universities overseas, the Group established international programs at various schools under which PRC/overseas standard high-school curriculum, overseas standardized college entrance examinations, language testing examinations or United States University Advanced Placement (“AP”) course are offered to them. Such programs allow students to take overseas high-school curriculum taught by foreign teachers as well as PRC high-school curriculum taught by PRC teachers. In 2021, one high school graduate was admitted into, Brown University, an Ivy League Schools in the United States while one high school graduate was admitted into Cambridge University and one high school graduate was admitted into University of Oxford. In 2020 and 2021, 70 and 132 of students were admitted into the top 100 universities in the 2021 QS World University Rankings respectively.

Besides, in 2021, 70 (2020: 57) students won first prize in provincial academic contests including mathematics, physics, chemistry, biology and information science (“Five Academic Contests”). 10 (2020: 12) of our students were elected into the Sichuan provincial contests teams. Furthermore, 6 (2020: 6) of our students won the gold medal in national Five Academic Contests and 3 (2020: 3) students were elected into the national team.

Chengdu Institute Sichuan International Studies University (the “University”)

The University currently offers 29 bachelor programs and 21 diploma programs. In 2021, according to WuShulian’s “China Independent College Rankings”, the University ranked 15th among all 181 independent colleges and second among independent colleges specializing in literature. The quality of our undergraduates and the rate of our undergraduates’ pursuing further study both ranked fourth among all 399 independent colleges and private universities collectively (measured by the ratio of our graduates pursuing further study and starting salary of our graduates). In 2021, in the competition of Airuishen alumni network “Five-star Class Independent College”, the University ranked first among independent college specialising in language.

In June 2021, the University had obtained provisional approval from the Ministry of Education (the “MOE”) for conversion with new school name “Chengdu International Studies College”.

As at 28 February 2022, the total student enrolment of the Group’s self-operated schools was 22,967, with 4,449 students enrolled in the high-schools, 18,518 students enrolled in the University and 7,432 students enrolled in our network schools.

Tuition and other ancillary education fee

During the six months ended 28 February 2022, the Group has witnessed growth of the schools operated by the Group in terms of revenue. Revenue increased from RMB259.3 million for the six months ended 28 February 2021 to RMB298.7 million for the six months ended 28 February 2022. The Group generated its revenue from (i) student fees and (ii) management and consultation services provided to third party owned K-12 or kindergartens schools. Student fees are typically comprised of tuition fees, boarding fees, overseas studies consulting fees.

The following table sets forth the breakdown of the revenue of the Group:

	For the six months ended 28 February 2022 RMB'000 (Unaudited)	For the six months ended 28 February 2021 RMB'000 (Unaudited)	Change RMB'000	Percentage Change
Tuition fees	245,662	215,783	29,879	13.8%
Boarding fees	16,297	13,101	3,196	24.4%
School canteen operations fees	22,110	12,577	9,533	75.8%
Educational management and consultation service fees	6,923	6,469	454	7.0%
Non-formal tutoring tuition fees	5,345	8,366	(3,021)	(36.1%)
Consultation services fees for overseas studies	2,322	2,931	(609)	(20.8%)
	<u>298,659</u>	<u>259,227</u>	<u>39,432</u>	(15.2%)

The following table sets forth the revenue generated by each of the categories of the schools:

	For the six months ended 28 February 2022 RMB'000 (Unaudited)	For the six months ended 28 February 2021 RMB'000 (Unaudited)	Change RMB'000	Percentage Change
High school	92,375	76,768	+15,607	+20.3%
University	153,287	139,015	+14,272	+10.3%
Total tuition fees	<u>245,662</u>	<u>215,783</u>	<u>+29,879</u>	+13.8%

The rise of the total revenue of the Group was mainly due to the increase of the Group's student enrollment.

The following table sets forth the average tuition fees of each of the categories of the schools operated by the Group:

Categories of the schools	2021/2022 Average Tuition Fees RMB	2020/2021 Average Tuition Fees RMB	2019/2020 Average Tuition Fees RMB
High school – domestic program	37,998	35,359	35,614
High school – international program	107,548	104,973	101,102
Kindergarten	Not applicable	33,977	33,282
University	14,956	14,165	13,501

Student Enrollment

The table below sets forth information relating to the student enrollment for each of the categories:

	As at 28 February 2022	As at 28 February 2021
High school students – domestic program	3,954	2,943
High school students – international program	495	428
Kindergarten students	—	706
University students	18,518	17,557
Total number of students	<u>22,967</u>	<u>21,634</u>

Teachers

	As at 28 February 2022	As at 28 February 2021
Total number of teachers	<u>1,177</u>	<u>1,058</u>

The Group believes the quality of education provided is strongly tied to the quality of its teachers. The Group considers that teachers who are capable of and are dedicated to teaching will be instrumental in shaping the learning habits of students, which will be crucial to the Group's success and educational philosophy. The Group seeks to hire teachers who (i) demonstrate outstanding teaching track records; (ii) hold necessary academic credentials (i.e. bachelor and above); (iii) are passionate about education and improving students' academic performance and overall well being; (iv) demonstrate competence in their subject areas; (v) possess strong communication and interpersonal skills; and (vi) are able to effectively use a variety of teaching tools and methods tailored to their students.

For academic year 2021-2022, the Group had 1,177 teachers, of which approximately 99.9% hold a bachelor's degree or above, and approximately 57.7% hold a master's degree or above. Most of our teachers are full-time teachers. The Group also values the recognition bestowed upon teachers who have achieved teaching excellence. Approximately 24.5% of our teachers held the advanced teaching qualification, and approximately 50 of our teachers were recognised as exceptional teachers. The Group offers mandatory and continuing training courses and seminars to our teachers and offers mandatory professional teaching technique training courses for newly hired teachers.

Future Development

The Group is optimistic about the strong demand for high-quality private education in Southwest China backed by the strong brand reputation and recognition of our schools. In order to solidify and strengthen its market-leading position in the region, the Group intends to achieve future growth by means of multiple expansion strategies. Specifically, the Group plans to undertake the following strategies:

1. i) Establishment of new high schools (primarily under asset-light model) by collaborating with third-party business partners;
- ii) Increasing of utilisation rate of our existing school network and tuition fee;
- iii) Establishment of international education programs within our schools and provision of overseas studies consulting services;
- iv) Provision of non-formal education services:
 - a) Provide educational management and consultation services to K-12 schools and pre-schools;
 - b) Collaborate with certain commercial property owners to establish one-stop comprehensive education program.
 - c) Student's local life services, after class non-subject based activities and etc.

(i) Establishment of new high schools (primarily under asset-light model) by collaborating with third-party business partners

The Group has already opened one high school in Deyang City and one high school in Chengdu City. The following sets forth a summary of the estimated student capacity of the new high schools that will be opened beyond 2022:

High Schools	Location	Commencement of school campus	Cooperation term	Estimated student capacity
Tianfu Lushan High School	Chengdu, Sichuan	September 2022	long term	3,600
Xinjin High School	Chengdu, Sichuan	September 2022	long term	1,920
Renshou High School	Meishan, Sichuan	to be confirmed	long term	810
Luzhou High School	Luzhou, Sichuan	to be confirmed	long term	2,100
Tianfu Huahai High School	Meishan, Sichuan	to be confirmed	long term	900
Meishan Chongli High School	Meishan, Sichuan	to be confirmed	long term	540
Total				<u>9,870</u>

Two schools are under the process of legal separation into a not-for-profit school and a for-profit high school.

(ii) Increase in utilisation rate of our existing school network and tuition fee

School Utilisation

Utilisation rate is calculated as the number of students enrolled divided by the estimated capacity for a given school either already commenced operation or under construction. Except for our kindergarten, our schools are generally boarding schools.

	As at 28 February 2022	As at 28 February 2021
Total number of students enrolled	22,967	21,634
Total student capacity	52,830	52,830
Overall utilisation rate	43.5%	41.0%

Tuition Fee

On 15 May 2020, the Education Department of Sichuan Province and two other departments issued the “Notice on Improving the Price Management of Private Higher Education Institution and Strengthening Operational and Post-operational Oversight in our Province”《(關於完善我省民辦高校價格管理方式加強事中事後監督的通知)》(the “Notice”), which set out opinions and requirements in respect of determining tuition fee of higher education institution and permitted such institutions to adjust the tuition fee and related fees every three years since September 2020. Based on the new policies, the tuition fees for new undergraduate and colleges of University increased from RMB14,000 and RMB12,000 in 2019/2020 school year to RMB17,000 and RMB15,000 in 2020/2021 school year respectively. Furthermore in June 2021, the University has obtained provisional approval from the “MOE” for conversion. It is anticipated upon the conversion is approved the enrollment quote of University for 2022/2023 and onwards will increase accordingly.

Certain of our not-for-profit high schools have submitted applications with regulatory bodies to be registered as for-profit high schools and upon approval by the government the high-schools will be entitled to determine their tuition fee discretionally.

The following table sets forth the standard of current tuition fee:

Category of schools	Current tuition fee standard
High school	Range from RMB30,000 to RMB58,000
University	RMB15,000 (diploma) RMB17,000 (bachelor)
High-school international program	Range from RMB96,000 to RMB128,000

(iii) Establishment of international education programs within our schools and provision of overseas studies consulting services

In addition to traditional high school programs, the Group also established the international department. Since 2019, the international department started to manage programs with elite international partners, offering A-level courses, Advanced Placement and Monash University Foundational Programs. In both of 2020 Yixiao Ranking List “Best international Second Schools” and 2020 KingLead Ranking List “China International School Competitiveness Ranking (Undergraduate UK)”, International Department of Chengdu Foreign Languages School ranked first in Sichuan Province.

In 2021, the Group expanded educational product layout. In addition to the traditional Anglo-American international program, the Group were also expanding our international education program in Europe and Asia. At the same time, the Group also built matrix academic expansion projects and social practice projects based on the school curriculum.

The international department also expanded its business by offering overseas study consulting services to our own students since later 2019 and recorded revenue of RMB2.3 million in the six months ended 28 February 2022.

(iv) a. *Educational management and consultation services*

Since 2019, the Group entered into school management cooperation agreements with certain K-12 public schools and Kindergartens to provide education management and consultation services including, among others, education quality control, curriculum development, daily operation, teachers recruitment and training, branding, teaching methodology support and campus design. As at 28 February 2022, the Group provided education management and consultation services to totally nine schools including five kindergartens, three K-9/K-12 schools and one high school.

b. *One stop comprehensive education program*

The Group has been cooperating with certain commercial property owners to establish one-stop comprehensive education program in commercial complex with a floor area of approximately 5,000 to 10,000 square meters where various types of tailor-made education services will be offered to both the parents and their children simultaneously. In addition, it provides curriculum and management output services for institutions and individuals who intend to invest in the education program. The high-quality education courses independently developed and iterated by the Group offered among others, Chinese traditional culture, STEAM (Science, Technology, Engineer, Arts and Mathematics), and sports. The daily management of enrollment, recruitment, teaching and research of all educational projects implements the operation mode of unified scheduling of the complex but relatively independently operation of sub-projects. The Group recorded revenue of RMB5.3 million in the six months ended 28 February 2022.

The following table shows a summary of the number of our schools by category as of the dates indicated:

Category of schools	Self-owned schools	Schools under
	established	education
	28 February 2022	management
		service established
		28 February 2022
High school	7	1
Kindergarten	0	5
University (China)	1	0
University (United States)	1	0
Schools providing non-formal education services	2	0
K9/K12 schools	0	3
	<u>11</u>	<u>9</u>

Risk Management

The Group is exposed to various risks in the operations of the Group's business and the Group believes that risk management is important to the Group's success. Key operational risks faced by the Group include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, the ability of the Group to offer quality education to students, the ability of the Group to increase student enrollment and/or raise tuition fees, the potential expansion of the Group into other regions in Southwest China, availability of financing to fund the Group's expansion and business operations and competition from other school operators that offer similar quality of education and have similar scale.

In addition, the Group also faces numerous market risks, such as interest rate and liquidity risks that arise in the normal course of the Group's business.

Interest Rate Risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and bank borrowings which carry interest at prevailing market interest rates. It is the Group's policy to keep certain borrowings at floating rates of interest so as to minimize the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

To properly manage these risks, the Group has established the following risk management structures and measures:

- The Board is responsible and has the general power to manage the Group's operations of the schools, and is in charge of managing the overall risks of the Group. It is responsible for considering, reviewing and approving any significant business decisions involving material risk exposures, such as the Group's decisions to expand its school network into new geographic areas, to raise the Group's tuition fees, and to enter into cooperative business relationships with third parties to establish new schools;
- The Group maintains insurance coverage, which the Group believes is in line with customary practice in the PRC education industry, including school liability insurance; and

- The Group has made arrangements with the Group's lenders to ensure that the Group will be able to obtain credit to support its business operation and expansion.

Environment, Health and Safety

The businesses of the Group are not in violation of the applicable PRC environmental laws and regulations in any material aspects.

The Group is dedicated to protecting the health and safety of the students. The Group has on-site medical staff or health care personnel at each of the schools the Group operates to handle routine medical situations involving students. In certain serious and medical emergency situations, the Group promptly sends the students to local hospitals for treatment. With respect to school safety, the Group engaged a qualified property management company to provide property security services at the Group's school premises.

As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Financial Review

Revenue

Revenue, which is also the Group's turnover, represents the value of services rendered, after deducting scholarships granted and refunds made to its students during the Reporting Period. Revenue of the Group is primarily derived from tuition fees, boarding fees, school canteen services fees and overseas studies consulting fees the Group's schools collected from students, as well as management service fees and consultation service fees received by the Group from three government owned schools during the Reporting Period.

Revenue increased by RMB39.4 million, or 15.2%, from RMB259.2 million for the six months ended 28 February 2021 to RMB298.7 million for the Reporting Period. This increase was primarily attributed to the increase in revenue from tuition fees and revenue from school canteen operations fees. The increase of RMB29.9 million, or 13.8% in revenue from tuition fees for the six months ended 28 February 2021 to RMB245.7 million for the Reporting Period, meanwhile the increase of RMB9.5 million, or 75.8% in revenue from school canteen operations fees for the six months ended 28 February 2021 to RMB22.11 million for the Reporting Period. The tuition fees and school canteen operation fees which the Group received increase mainly attributable to the increase in the number of students enrolled in 2021/2022 school year, as a result of commencement of two new high students in Chengdu and Deyang. For more information on student enrolment and school utilisation, please refer to the section headed "Business Review" above.

Cost of Sales

Cost of sales primarily consists of staff costs, depreciation and amortization, utilities, cost of repairs, office expense, property management service fee, rent costs, student subsidies and other costs.

Cost of sales for the six months ended 28 February 2022 increased by RMB32.9 million, or 18.3%, compared with the same period last year. This increase was primarily attributable to:

- (1) Staff costs increased by RMB8.7 million, or 12.8%, compared with the same period last year, which was attributable to the combined effect of (i) the increase in the number of Group's teachers (ii) the increase in the average staff salary upon annual performance review.
- (2) Canteen operation costs increased by RMB9.1 million, or 67.1%, compared with the same period last year, which was mainly due to the increase in the number of students and continuous improvements in quality of catering service in the Reporting Period.
- (3) Depreciation and amortisation increased by RMB7.5 million, or 15.1% compared with the same period last year, mainly as a result of the increase in depreciation charge from the property, plant and equipment and renovation related to our existing campuses and new campuses utilised.

Gross Profit and Gross Profit Margin

Gross profit of the Group amounted to RMB85.7 million for the six months ended 28 February 2022 totally, increased by RMB6.5 million, or 8.2%, compared with the same period last year, which was mainly attributable to the increase of average tuition fee and the number of students.

Gross profit margin of the Group decreased to 28.7% for the six months ended 28 February 2022 from 30.5% for the six months ended 28 February 2021, primarily due to the gross margin in new schools is slightly lower than that in other schools.

Research and Development Costs

Research and development costs for the six months ended 28 February 2022 increased by RMB0.5 million, or 23.8%, compared with the same period last year, mainly as academic center carried out much more series of work such as development of school-based curriculum, dual-language immersion curriculum, proprietary pre-school courses and proprietary international integrated courses, as a result of increased new schools.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses.

Selling and distribution expenses decreased by RMB4.1 million, or 68.2%, from RMB6.1 million for the six months ended 28 February 2021 to RMB1.9 million for the Reporting Period. The decrease in selling and distribution expenses was primarily due to more advertising expenses incurred for student recruitment promotion for all new schools opened in 2020/2021 academic year.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, one off settlement payment arising from commencement of conversion of the university, consultation service fees for legal, audit business development and evaluation services, office-related expenses, depreciation of office buildings and equipment, travel expenses and other expenses.

Administrative expenses for the six months ended 28 February 2022 decreased by RMB6.5 million, or 12.0%, compared with the same period last year.

Other Expenses

Other expenses consist primarily of impairment loss of investment in an associate, foreign exchange loss, and disposal of various fixed assets.

Other expense for the six months ended 28 February 2022 decreased by RMB44.4 million, or 94.6% compared with the same period last year. The amount recorded for the six months ended 28 February 2021 included RMB43.4 million impairment charge of investment in an associate in Beijing providing early child (0-3) education and day care services of which the business was significantly disrupted by the COVID-19.

Finance costs

Finance costs primarily consist of the interest expenses for bank and other borrowings.

Finance costs increased by RMB7.9 million, or 26.5% from RMB29.8 million for the six months ended 28 February 2021 to RMB37.8 million for the Reporting Period, mainly attributable to the combined effect of (i) the interest expenses for the bank and other borrowings of RMB40.7 million for the Reporting Period, representing an increase of RMB6.3 million as compared to the interest expenses of RMB34.4 million for the six months ended 28 February 2021. The increase of interest expenses was in line with the increase in bank and other borrowings balance; (ii) the capitalised interest of RMB4.6 million was recognised for the six months ended 28 February 2021, representing an decrease of RMB1.6 million while less capitalised interest was recognised for the Reporting Period.

Capital Commitments

The following table sets forth a summary of capital commitments as at the dates indicated:

	28 February	31 August
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings, equipment	63,749	183,621

Gearing Ratio

The gearing ratio of the Group, which was calculated as total bank and other borrowings divided by total equity as at the end of the period, increased from approximately 153.7% as at 31 August 2021 to approximately 182.2% as at 28 February 2022, primarily due to the increase in the Group's interest-bearing bank borrowings.

Contingent Liabilities

As at 28 February 2022, the Group had no material contingent liabilities.

Pledge of Assets

As at 28 February 2022, RMB34,800,000 (31 August 2021: RMB34,800,000) were paid to third party leasing companies as pledged deposits for certain borrowings, which will be repaid after settling those borrowings in 3 years.

Human Resources

As at 28 February 2022, the Group had 1,663 employees (31 August 2021: 1,561 employees).

The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and results performance of the Group. The Group provides external and internal training programs to its employees. The Group also participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance.

The total remuneration cost incurred by the Group for the six months ended 28 February 2022 was approximately RMB107.4 million (for the six months ended 28 February 2021: RMB104.3 million).

EVENTS AFTER THE REPORTING PERIOD

There was no event which has occurred after 28 February 2022 that would cause material impact on the Group.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for six months ended 28 February 2022 (interim dividend for the six months ended 30 June 2021: HK1.9 cents).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REGULATORY UPDATES

The impact of the Implementation Regulations

On 14 May 2021, the State Council issued the Implementation Regulations, which will take effect since 1 September 2021. The Implementation Regulations contains more strict provisions than the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments)(《中華人民共和國民辦教育促進法實施條例》) (修訂草案 (徵求意見稿)) issued by the MOE in April 2018 and the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (中華人民共和國民辦教育促進法實施條例)(修訂草案)(送審稿) issued by Ministry of Justice of the PRC on 10 August 2018 on the operation and management of private schools, especially non-profit private primary and middle schools, including: (i) no social organization and individual are permitted to take control of non-profit private compulsory education schools and non-profit private preschool through mergers and acquisitions, and control agreement; and (ii) private compulsory education schools are prohibited to conduct transactions with “related parties”, and other private schools shall conduct transactions with “related parties” in an open, reasonable and fair manner, which shall not harm the national interests, school interests and rights and interests of all teachers and students.

At the time of the issue of this announcement, there were no specific policies announced so far and whether there will be any such specific policies remain uncertain. Given the significant uncertainty surrounding the interpretation and application of Implementation Regulations in particular the provision relating to private compulsory education schools conducting transactions with “related parties”, the Group concluded it lost control over those schools since 31 August 2021.

AUDIT COMMITTEE

The Board has established an audit committee of the Company (the “Audit Committee”), which comprises three independent non-executive Directors, namely Mr. Chan Kim Sun (Chairman), Mr. Sit Chiu Wing and Mr. Wen Ruizheng. The primary duties of the Audit Committee are to review and supervise the Company’s financial reporting process, internal control and risk management systems.

The Audit Committee has reviewed the unaudited interim results and the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period, including the accounting principles and practices adopted by the Group.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.virscendeducation.com). The interim report of the Group for the six months ended 28 February 2022 will be published on the aforesaid websites and will be dispatched to the shareholders of the Company in due course.

By order of the Board
Virscend Education Company Limited
Wang Xiaoying
Chairwoman and Executive Director

Hong Kong, 6 May 2022

As at the date of this announcement, the executive Directors are Ms. Wang Xiaoying, Mr. Ye Jiayu, Mr. Yan Yude and Mr. Deng Bangkai; and the independent non-executive Directors are Mr. Sit Chiu Wing, Mr. Chan Kim Sun and Mr. Wen Ruizheng.