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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1565)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**ANNUAL RESULTS HIGHLIGHTS**

	<b>For the year ended 31 August 2022 RMB'000</b>	<b>For the eight months ended 31 August 2021 RMB'000</b>	<b>Change RMB'000</b>	<b>Percentage Change</b>
<b>REVENUE</b>	<b>551,118</b>	253,546	<b>297,572</b>	<b>117.4%</b>
<b>Gross profit/(loss)</b>	<b>167,607</b>	(656)	<b>168,263</b>	<b>25,649.8%</b>
<b>Profit/(loss)</b>	<b>3,891</b>	(198,855)	<b>202,746</b>	<b>102.0%</b>
<b>Profit/(loss) attributable to owners</b>	<b>11,380</b>	(1,797,535)	<b>1,808,915</b>	<b>100.6%</b>
<b>Adjusted net profit/ (loss)*</b>	<b>12,091</b>	(107,051)	<b>119,142</b>	<b>111.3%</b>
<b>Adjusted EBITDA**</b>	<b>226,227</b>	61,649	<b>164,578</b>	<b>267.0%</b>

\* Adjusted net profit/(loss) was derived from the net profit/(loss) after adjusting items which are not indicative of the Group's operating performance.

\*\* Adjusted EBITDA is defined as adjusted net profit/(loss) earnings before interest, tax, depreciation and amortisation ("EBITDA").

<b>Students enrolled</b>	<b>2022/2023</b>	2021/2022	2020/2021
<b>High-school</b>	<b>6,871</b>	4,449	3,371
<b>Kindergarten</b>	<b>—</b>	—	706
<b>University</b>	<b>20,284</b>	18,518	17,557
<b>Total number of students enrolled</b>	<b>27,155</b>	22,967	21,634
<b>Network school</b>	<b>9,319</b>	7,432	6,501

	<b>For the year ended 31 August 2022 RMB'000</b>	For the eight months ended 31 August 2021 RMB'000
<b>Net profit/(loss)</b>	<b>3,891</b>	(198,855)
Adjustments for:		
Amortisation of other intangible assets arising from the acquisition of school	<b>21,832</b>	14,555
Foreign exchange (gain)/loss	<b>(2,213)</b>	379
Income tax and VAT impact arising from transaction between continued and discontinued operations	<b>—</b>	33,440
Impairment loss on an associate company	<b>—</b>	43,430
Gain on disposal of an associate	<b>(11,419)</b>	—
<b>Adjusted net profit/(loss)</b>	<b>12,091</b>	(107,051)

***Unaudited adjusted net loss***

Unaudited adjusted net profit/(loss) was derived from net loss after adjusting those items, which are not audited and not indicative of the Group's operating performance. This is not an IFRSs measure and for illustrative purpose only. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from net loss to adjusted net loss for both financial years:

	<b>For the year ended 31 August 2022 RMB'000 Audited</b>	For the twelve months ended 31 August 2021 RMB'000 Unaudited
Net profit/(loss)	<b>3,891</b>	(139,268)
Adjustments for:		
Amortisation of other intangible assets arising from the acquisition of school	<b>21,832</b>	21,832
Foreign exchange (gain)/loss	<b>(2,213)</b>	485
Income tax and VAT impact arising from transaction between continued and discontinued operations	—	43,779
Impairment loss on an associate company	—	43,430
Gain on disposal of an associate	<b>(11,419)</b>	—
<b>Adjusted net profit/(loss)</b>	<b>12,091</b>	(29,742)

The board (the "Board") of directors (the "Directors") of Virscend Education Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 August 2022 (the "Reporting Period") together with the comparative figures for the eight months ended 31 August 2021 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 AUGUST 2022**

	Notes	<b>For the year ended 31 August 2022 RMB'000</b>	For the eight months ended 31 August 2021 RMB'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	4	<b>551,118</b>	253,546
Cost of sales		<u>(383,511)</u>	<u>(254,202)</u>
Gross profit/(loss)		<b>167,607</b>	(656)
Other income and gains	4	<b>35,043</b>	23,218
Selling and distribution expenses		<b>(6,621)</b>	(6,707)
Administrative expenses		<b>(93,413)</b>	(89,731)
Other expenses		<b>(11,753)</b>	(53,872)
Finance costs	5	<b>(86,441)</b>	(46,873)
Share of losses of associates		<u>—</u>	<u>(2,326)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>4,422</b>	(176,947)
Income tax expense	6	<u>(531)</u>	<u>(21,908)</u>
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS</b>		<u><b>3,891</b></u>	<u>(198,855)</u>
<b>DISCONTINUED OPERATIONS</b>			
Profit/(loss) for the year/period from discontinued operations		<u>—</u>	<u>(1,622,050)</u>
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD</b>		<u><b>3,891</b></u>	<u>(1,820,905)</u>
Attributable to:			
Owners of the parent	8	<b>11,380</b>	(1,797,535)
Non-controlling interests		<u><b>(7,489)</b></u>	<u>(23,370)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 AUGUST 2022**

	<b>For the year ended 31 August 2022 RMB'000</b>	<b>For the eight months ended 31 August 2021 RMB'000</b>
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD</b>	<b><u>3,891</u></b>	<b><u>(1,820,905)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(620)</u>	<u>26</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(620)</u>	<u>26</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX</b>	<b><u>(620)</u></b>	<b><u>26</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>	<b><u>3,271</u></b>	<b><u>(1,820,879)</u></b>
Attributable to:		
Owners of the parent	<b>11,066</b>	(1,797,524)
Non-controlling interests	<u>(7,795)</u>	<u>(23,355)</u>
	<b><u>3,271</u></b>	<b><u>(1,820,879)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 AUGUST 2022**

	Notes	As at 31 August 2022 <i>RMB'000</i>	As at 31 August 2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,448,030</b>	2,360,938
Right-of-use assets	12	<b>624,798</b>	642,272
Other intangible assets		<b>116,072</b>	138,643
Goodwill		<b>104,298</b>	104,298
Other non-current assets		<b>201,640</b>	313,754
Total non-current assets		<b><u>3,494,838</u></b>	<u>3,559,905</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>24</b>	33
Trade receivables	13	<b>1,200</b>	1,300
Prepayments, other receivables and other assets		<b>56,268</b>	81,311
Financial assets at fair value through profit or loss		<b>24,544</b>	26,463
Amounts due from related parties		<b>—</b>	618,027
Cash and cash equivalents		<b>389,265</b>	631,735
Total current assets		<b><u>471,301</u></b>	<u>1,358,869</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	<b>1,352</b>	3,396
Other payables and accruals		<b>155,680</b>	197,402
Financial guarantee contracts		<b>4,839</b>	5,326
Interest-bearing bank and other borrowings	11	<b>644,223</b>	365,292
Leases liabilities	12	<b>576</b>	1,230
Tax payable		<b>24,361</b>	24,551
Contract liabilities	10	<b>463,626</b>	424,140
Deferred income		<b>193</b>	114
Amounts due to related parties		<b>—</b>	2,061,651
Total current liabilities		<b><u>1,294,850</u></b>	<u>3,083,102</u>
<b>NET CURRENT LIABILITIES</b>		<b><u>(823,549)</u></b>	<u>(1,724,233)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>2,671,289</u></b>	<u>1,835,672</u>

		As at <b>31 August</b> <b>2022</b> <b><i>RMB'000</i></b>	As at 31 August 2021 <i>RMB'000</i>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b>2,671,289</b>	1,835,672
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	11	<b>782,464</b>	969,068
Lease liabilities	12	<b>455</b>	—
Deferred income		<b>1,115</b>	1,372
Contract liabilities	10	<b>116,869</b>	4,376
Long term payables		<b>37,698</b>	—
Amounts due to related parties		<b>934,346</b>	—
Total non-current liabilities		<b>1,872,947</b>	974,816
Net assets		<b>798,342</b>	860,856
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>26,051</b>	26,051
Reserves		<b>779,342</b>	837,560
		<b>805,393</b>	863,611
Non-controlling interests		<b>(7,051)</b>	(2,755)
Total equity		<b>798,342</b>	860,856

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**

### **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”).

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The financial statements have been prepared under the historical cost convention. The financial statements are presented in Renminbi (“RMB”).



## 2. GOING CONCERN BASIS

The Group had net current liabilities of approximately RMB823,549,000 as at 31 August 2022. Included in the current liabilities as at 31 August 2022 were contract liabilities of RMB463,626,000 (2021: RMB424,140,000).

Notwithstanding the aforesaid condition, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future based on the following assessment and remedial actions taken by the directors of the Company:

- (i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 August 2022. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligation as and when they fall due and carry on its business without a significant curtailment of operation of not less than twelve months from 31 August 2022;
- (ii) the Group has entered into one bank facility agreement after the reporting period, under which bank facilities up to a maximum amount of approximately RMB75,000,000 is available to the Group for not less than twelve months from 31 August 2022, and obtained another new loan with amount of RMB100,000,000 with 36 months maturity;
- (iii) the Group has total unutilized banking facilities of RMB1,400,000,000 which are available for drawdown within 19 months from 31 August 2022; and
- (iv) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Based on the foregoing, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from the end of the Reporting Period. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

### **3. APPLICATION OF AMENDMENTS TO IFRSs**

#### **(i) Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 September 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years/periods and/or on the disclosures set out in these consolidated financial statements.

**(ii) New and amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to IFRS 3 Reference to the Conceptual Framework***

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by the IASB in March 2018 (the “Conceptual Framework”) instead of the International Accounting Standards Committee’s *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);
- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 September 2022.

### ***Amendments to IAS 1 Classification of Liabilities as Current or Non-current***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

- (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 August 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

#### ***Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies***

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies.

### ***Amendments to IAS 8 Definition of Accounting Estimates***

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

#### 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:

		<b>For the</b>	For the
		<b>year ended</b>	eight months
		<b>31 August</b>	ended
	Notes	<b>2022</b>	31 August
		<b>RMB'000</b>	2021
			<b>RMB'000</b>
Tuition fees		<b>436,266</b>	205,600
School canteen operations fees		<b>40,167</b>	14,489
Boarding fees		<b>31,770</b>	16,563
Non-formal tutoring tuition fees		<b>13,923</b>	10,032
Consultation services fees for overseas studies*		<b>5,129</b>	5,056
Educational management and consultation service fees**		<b>21,730</b>	1,806
Others		<b>2,133</b>	2,670
Total		<b>551,118</b>	253,546
Other income and gains			
Bank interest income	8	<b>467</b>	240
Other interest income	8	<b>1,429</b>	1,893
Net foreign exchange gains	8	<b>2,213</b>	—
Government grants			
– related to assets		<b>193</b>	353
– related to income		<b>—</b>	6,780
Rental income		<b>2,554</b>	2,382
Gain on disposal of an associate	8	<b>11,419</b>	—
Amortisation on financial guarantee contracts		<b>1,915</b>	—
Others		<b>14,853</b>	11,570
		<b>35,043</b>	23,218

\* 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.

\*\* The amount represented the income derived primarily from educational management and consultancy service provided to certain unrelated K-12 schools or kindergartens.

## 5. FINANCE COSTS

	<b>For the year ended 31 August 2022 RMB'000</b>	For the eight months ended 31 August 2021 RMB'000
Interest on bank and other borrowings	<b>87,703</b>	53,874
Interest on lease liabilities	<b>52</b>	32
Less: interest capitalised	<b>(1,314)</b>	(7,033)
	<b><u>86,441</u></b>	<u>46,873</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 year/period.



Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25% for the year ended 31 August 2022 and for the eight months ended 31 August 2021.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns and not-for-profit private schools are eligible to enjoy the same preferential tax treatments as public schools. The preferential tax treatment policies applicable to private schools either requiring reasonable returns are to be separately formulated by the relevant authorities under the State Council. 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 high schools registered as for-profit private schools, certain schools within the Group were exempted from corporate income tax for the year ended 31 August 2022 and the eight months ended 31 August 2021. Certain high schools registered as for-profit schools were subject to the PRC income tax at an statutory tax rate of 25%.

In 2022, Tibet Huatai Education Management Consulting Co., Ltd. (“Tibet Huatai”) was subject to the PRC income tax at an original tax rate of 9%.

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 year/period are analysed as follows:

	<b>For the year ended 31 August 2022 RMB'000</b>	For the eight months ended 31 August 2021 RMB'000
Current — PRC		
Total tax charge for the year/period from continuing operations	<b>531</b>	21,908
Total tax charge for the year/period from discontinued operations	<u>—</u>	<u>17</u>
	<b><u>531</u></b>	<b><u>21,925</u></b>

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 and the six months ended 28 February 2022 had been proposed by the Directors of the Company.

No dividend in respect of the year ended 31 August 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 per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,055,350,000 (2021: 3,088,761,000) in issue during the Reporting Period.

There were no potentially dilutive ordinary shares in issue during the year ended 31 August 2022 and the eight months ended 31 August 2021, and therefore the diluted earnings per share amounts were equivalent to the basic earnings per share amounts.

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

	<b>For the year ended 31 August 2022</b>	For the eight months ended 31 August 2021
Earnings/(loss) attributable to ordinary equity holders of the parent (RMB'000)	<u>11,380</u>	<u>(1,797,535)</u>
Shares		
Weighted average number of ordinary shares in issue	<u>3,055,350,000</u>	<u>3,088,761,000</u>
Basic and diluted earnings/(loss) per share (expressed in RMB per share)	<u>0.00</u>	<u>(0.58)</u>

## 9. LOSS BEFORE TAX

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

		<b>For the year ended 31 August 2022 RMB'000</b>	For the eight months ended 31 August 2021 RMB'000
Cost of services provided*		<b>119,864</b>	68,479
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other allowances		<b>164,889</b>	131,194
Pension scheme contributions (defined contribution scheme)		<b>21,746</b>	11,867
Depreciation of property, plant and equipment		<b>78,073</b>	57,849
Amortisation of other intangible assets		<b>22,571</b>	15,047
Depreciation of right-of-use assets		<b>26,520</b>	27,023
Impairment of investment in an associate**		—	43,430
Allowance for credit losses on trade receivables		<b>2,600</b>	—
Auditor's remuneration			
– audit service		<b>850</b>	4,080
– non-audit service		<b>80</b>	224
Bank interest income	4	<b>(467)</b>	(240)
Other interest income	4	<b>(1,429)</b>	(1,893)
Foreign exchange difference, net	4	<b>(2,213)</b>	379
Gain on disposal of an associate	4	<b>(11,419)</b>	—
Loss on disposal of items of property, plant and equipment		<b>23,912</b>	8,873

- \* *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 other intangible assets, and depreciation of right-of-use assets.*
- \*\* *Impairment of investment in an associate of RMB43 million was due to an associate named Beijing Oriental Babycare Consulting Co., Ltd. (“Oriental Babycare”) of the Group in Beijing who provides early education (0-3 years old) and day care services. The business of Oriental Babycare was significantly disrupted by the COVID-19 pandemic. The impairment is not supported by valuation. However, we recognised it as impairment after the evaluation of our management. Oriental Babycare made losses for consecutive years and has net deficit of approximately RMB42.1 million as at 31 August 2021. Moreover, Oriental Babycare did not have sufficient cash to support daily operation and to repay the debt. All shareholders of Oriental Babycare have agreed not to provide any amount of capital increase to Oriental Babycare.*

## 10. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	<b>As at</b>	As at
	<b>31 August</b>	31 August
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Tuition fees	<b>370,956</b>	356,829
Boarding fees	<b>23,709</b>	27,155
School canteen operations fees	<b>43,240</b>	24,499
Consultation services fees for overseas studies, non-formal tutoring tuition fees and educational management and consultation services fees	<b>142,590</b>	20,033
	<b>580,495</b>	428,516
Current	<b>463,626</b>	424,140
Non-current	<b>116,869</b>	4,376
	<b>580,495</b>	428,516

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 and educational management and consultancy service fee 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 BORROWINGS

	Notes	As at 31 August 2022 <i>RMB'000</i>	As at 31 August 2021 <i>RMB'000</i>
Non-current			
Secured			
Bank loans	a	<b>397,700</b>	497,500
Other loans (i)	a	<b>384,764</b>	471,568
		<b><u>782,464</u></b>	<b><u>969,068</u></b>
	Notes	As at 31 August 2022 <i>RMB'000</i>	As at 31 August 2021 <i>RMB'000</i>
Current			
Secured			
Bank loans	a	<b>249,000</b>	190,000
Current portion of long term bank loans	a	<b>149,700</b>	43,000
Other loans (i)	a	<b>245,523</b>	132,292
		<b><u>644,223</u></b>	<b><u>365,292</u></b>

- (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 31 August 2022

	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank loans – secured	4.45-6.90	2023	249,000
Current portion of long term bank loans – secured	4.80-7.00	2023	149,700
Other loans – secured	6.26-8.19	2023	<u>245,523</u>
<b>Non-current</b>			
Bank loans – secured	4.80-7.00	2033	397,700
Other loans – secured	6.29-8.19	2024	<u>384,764</u>
			<u><u>1,426,687</u></u>

As at 31 August 2021

	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
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	6.73-8.19	2022	<u>132,292</u>
<b>Non-current</b>			
Bank loans – secured	4.80-7.00	2033	497,500
Other loans – secured	6.73-8.19	2024	<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 31 August 2022 <i>RMB'000</i>	As at 31 August 2021 <i>RMB'000</i>
Right-of-use assets		
Prepaid land lease payments (i)	<b>594,849</b>	608,473
Buildings and other premises	<b>29,949</b>	33,799
	<u><b>624,798</b></u>	<u>642,272</u>
	As at 31 August 2022 <i>RMB'000</i>	As at 31 August 2021 <i>RMB'000</i>
Lease liabilities		
Current	<b>576</b>	1,230
Non-current	<b>455</b>	—
	<u><b>1,031</b></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 consolidated statement of comprehensive income**

	<b>For the year ended 31 August 2022 RMB'000</b>
Depreciation charge of right-of-use assets	
– Buildings and other premises	12,896
– Prepaid land lease payments	13,624
	<hr/>
Interest on lease liabilities	52
	<hr/>

**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:

	<b>As at 31 August 2022 RMB'000</b>	<b>As at 31 August 2021 RMB'000</b>
Trade receivables	3,800	1,300
Less: allowance for credit losses	(2,600)	—
	<hr/>	<hr/>
	<b>1,200</b>	<b>1,300</b>
	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of trade receivables, net of allowance for credit losses, by age, presented based on debit note.

	<b>As at 31 August 2022 RMB'000</b>	<b>As at 31 August 2021 RMB'000</b>
Within one year	1,200	1,300
	<hr/> <hr/>	<hr/> <hr/>

#### 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:

	<b>As at</b>	<b>As at</b>
	<b>31 August</b>	<b>31 August</b>
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within one year	<b><u>1,352</u></b>	<b><u>3,396</u></b>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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. Article 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 consolidated affiliated entities (“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.

Below is a list of all the name of the schools that provide compulsory education services, which had been deconsolidated from the consolidated financial statements of the Company since 31 August 2021 and a description of their business:

1. Chengdu Foreign Languages School (成都外國語學校) – Provision of high and middle school education services
2. Chengdu Experimental Foreign Languages School (成都市實驗外國語學校) – Provision of high and middle school education services.
3. Primary School Attached to Chengdu Experimental Foreign Languages School (成都市實驗外國語學校附屬小學) – Provision of elementary school education services
4. Chengdu Experimental Foreign Languages School (Western Campus) (成都市實外西區學校, formerly known as 成都市實驗外國語學校(西區)) – Provision of elementary, middle and high school education services
5. Primary School Attached to Chengdu Foreign Languages School (Xichen Campus) (成都市金牛區成外附小西宸學校) – Provision of elementary school education services
6. Chengdu Experimental Foreign Languages School of Xindu Wulongshan (成都實外新都五龍山學校)– Provision of elementary and middle school education services
7. Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School (Meinian Campus) (成都市高新區成外美年學校, formerly known as 成都外國語學校高新美年校區(美年校區)) – Provision of elementary and middle school education services
8. Renshou Chengdu Foreign Languages School (仁壽成都外國語學校) – provision of elementary and middle school education services
9. Primary School of Chengdu Foreign Languages School of Yibin (宜賓市翠屏區成外附屬小學) – Provision of elementary school education services
10. Chengdu Foreign Languages School of Yibin (宜賓市翠屏區成外學校) – Provision of middle school education services

11. Chengdu Experimental Foreign Languages School of Ya'an (雅安市雨城區成實外學校) – Provision of elementary and middle school education services
12. Chengdu Experimental Foreign Languages School of Quxian (渠縣成都市實驗外國語學校) – Provision of middle school education services
13. Chengdu Foreign Languages School of Panzihua (攀枝花市成都外國語學校) – Provision of elementary, middle and high school education services
14. Chengdu Foreign Language School of Deyang (德陽成都外國語學校) – Provision of elementary and middle school education services
15. Chengdu Foreign Languages School of Xinjin (成都市新津區成外學校) – Provision of elementary, middle and high school education services
16. Primary School Attached to Chengdu Foreign Languages School (成都外國語學校附屬小學) – Provision of elementary school education services
17. Kindergarten of the Primary School attached to Chengdu Jinniu District Foreign Languages School (成都市金牛區成外附小幼稚園) – Provision of kindergarten education services

According to article 19 of the Law for Promoting Private Education promulgated by the Standing Committee of the National People's Congress of the PRC in 2016, which was further revised in December 2018, the sponsors of non-profit private schools are not entitled to the distribution of profits or proceeds from the non-profit private schools, and all operation surplus of non-profit private schools shall be used for the operation of the schools. As such, the PRC Operating Entities providing compulsory education services are not free to distribute their retained earnings and profits to anyone the schools see fit.

According to article 59 of the Law for Promoting Private Education, upon completion of the liquidation of the non-profit schools, the remaining assets of non-profit private schools after settling any liabilities accrued shall be used in the operations of other non-profit schools. As such, the Company is not allowed to obtain any residual value in the event that the schools providing compulsory education are liquidated.

### ***Comparative information***

In 2022, the Group established two new schools in Chengdu City, Sichuan Province, the PRC. As at 31 August 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 41 of this announcement. Through these schools, the Group primarily offer formal education with comprehensive education programs in high-school and higher education.

Besides, the Group offered educational management and consultation service to one public high school, two public K-9 schools, and five privately owned kindergartens in Sichuan.

### **High School Student Placement**

All the standalone high schools within the Group and the schools providing compulsory education being deconsolidated since 31 August 2021 (collectively as “Chengshiwai Schools”) are stand-alone legal entities but still operating with the same brands as “branch campus” of Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School which are the two Flagship Schools.

For Gaokao administered in 2022 (the “2022 Gaokao”), approximately 94.7% (2021: 90.4%) of graduates from the Flagship Schools who achieved scores that allowed them to apply for and be accepted by first-tier universities in China. 47 of their graduating high school students were admitted into Peking University or Tsinghua University (2021: 27) and 75 of their graduating high school students were recommended for admission into first-tier universities without taking the Gaokao (2021: 74).

Other than the Flagship Schools, for 2022 Gaokao, approximately 72.4% of graduates from the rest Chengshiwai Schools achieved scores that allow them to apply for university admission. Such a ratio well exceeded the average university admission rate of schools in Sichuan Province of approximately 36.4%.

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 standardised 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 2022, two (2021: one) high school graduates received offers to be admitted into Cornell University which is one of the Ivy League Schools in the United States, one high school graduate received offer to be admitted into Stanford University in the United States while two (2021: two) high school graduates received offers to be admitted into Oxford University in the United Kingdom. In 2022 and 2021, 145 and 145 of students were admitted into the top 100 universities in the QS World University Rankings respectively.

Besides, in 2022, 59 students from Chengshiwai Schools (2021: 70) won first prize in provincial academic contests including mathematics, physics, chemistry, biology and information science (“Five Academic Contests”). 11 of Chengshiwai Schools students (2021: 10) were elected into the Sichuan provincial contests teams. Furthermore, three of Chengshiwai Schools students (2021: six) won the gold medal in national Five Academic Contests, three of Chengshiwai Schools students (2021: three) were elected into the national team.

In 2022, one high school student from Chengshiwai Schools won a gold medal in International Olympiad in Informatics and this is the only gold medal won in the international Five Academic Contests by students from Sichuan province in current academic year. Furthermore, one middle school graduate from Chengshiwai Schools is qualified to join Peking University physical exceptional plan (北大物理卓越計劃) and therefore becomes the only one in the nation who is admitted into Peking University as a middle school graduate.



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

The University currently offers 29 bachelor programs and 21 diploma programs. In 2022, according to WuShulian’s “China Independent College Rankings”, the University ranked 18th among all 157 independent colleges. The University ranked 64th in terms of comprehensive capabilities, and ranked 22nd in terms of quality of undergraduates among all 396 independent colleges and private universities.

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” (“成都外國語學院”).

For academic year 2022-2023, the total student enrolment of the Group’s self-operated schools was 27,155, with 6,871 students enrolled in the high-schools and 20,284 students enrolled in the University.

### ***Tuition and other ancillary education fee***

During the year ended 31 August 2022, the Group has witnessed growth of the schools operated by the Group in terms of revenue. Revenue increased from RMB483.0 million for the twelve months ended 31 August 2021 to RMB551.1 million for the year ended 31 August 2022. The Group generated its revenue from (i) student fees and (ii) management and consultation services provided to several government owned public schools. Student fees are typically comprised of tuition fees, boarding fees and overseas studies consulting fees.

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

	<b>For the year ended 31 August 2022 RMB'000</b>	For the twelve months ended 31 August 2021 RMB'000 (Unaudited)	<b>Change RMB'000</b>	<b>Percentage Change</b>
Tuition fees	<b>436,266</b>	397,794	38,472	9.7%
Boarding fees	<b>31,770</b>	25,672	6,098	23.8%
School canteen operations fees	<b>40,167</b>	24,439	15,728	64.4%
Educational management and consultation service fees	<b>21,730</b>	9,724	12,006	123.5%
Non-formal tutoring tuition fees	<b>13,923</b>	17,966	(4,043)	(22.5%)
Consultation services fees for overseas studies	<b>5,129</b>	4,695	434	9.2%
Others	<b>2,133</b>	2,671	(538)	(20.1%)
	<b><u>551,118</u></b>	<u>482,961</u>	<u>68,157</u>	14.1%

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

	<b>For the year ended 31 August 2022 RMB'000</b>	For the twelve months ended 31 August 2021 RMB'000 (Unaudited)	<b>Change RMB'000</b>	Percentage Change
High school	<b>160,271</b>	133,941	26,330	19.7%
University	<b>275,995</b>	248,922	27,073	10.9%
Kindergarten	—	14,931	(14,931)	(100.0%)
Total tuition fees	<b><u>436,266</u></b>	<b><u>397,794</u></b>	<b><u>38,472</u></b>	9.7%

The rise of the total revenue of the Group was mainly attributable to the combined effects: (i) the increase in tuition fees, boarding fees and canteen operations fees in line with the increase of the Group's student enrolment; and (ii) the increase in educational management and consultation services fees.

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

<b>Categories of the schools</b>	<b>2022/2023 Average Tuition Fees RMB</b>	2021/2022 Average Tuition Fees RMB	2020/2021 Average Tuition Fees RMB
High school – domestic program	<b>41,621</b>	37,998	35,359
High school – international program	<b>116,314</b>	107,548	104,973
University	<b>15,873</b>	14,956	14,165

### ***Student Enrollment***

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

	<b>2022/2023</b>	2021/2022	2020/2021
High school students – domestic program	<b>6,427</b>	3,954	2,943
High school students – international program	<b>444</b>	495	428
Kindergarten	—	—	706
University students	<b>20,284</b>	18,518	17,557
Total number of students	<b><u>27,155</u></b>	<u>22,967</u>	<u>21,634</u>

Although the entry demand of the Group’s AP and A level programs primarily targeting American and UK universities remain strong, sino-Canadian program suffered difficulty in enrollment in recent years. The Group will further increase its investment in AP and A level program to eliminate the negative impact from other program and anticipate steady growth rate in the total enrollment of international high school program.

### ***Teachers***

	<b>2021/2022</b>	2020/2021
Total number of teachers	<b><u>1,319</u></b>	<u>1,177</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 2022/2023, the Group had 1,551 teachers, of which all hold a bachelor's degree or above, and approximately 54.1% 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 19.2% of our teachers held the advanced teaching qualification, and 76 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:

- (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; and
  - 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 two high schools in Chengdu City. As at the date of this announcement, it is expected that there will be one new for-profit high school that will be opened in Meishan, Sichuan province, in September 2024.

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

### ***School Utilisation***

Utilisation rate is calculated as total 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.

	<b>2022/2023</b>	2021/2022
Total number of students enrolled	<b>27,155</b>	22,967
Total student capacity	<b>51,630</b>	52,830
Overall utilisation rate	<b>52.6%</b>	43.5%

### ***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》), which set out opinions and requirements in respect of determining tuition fee of higher education institutions 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 diploma students of University increased to RMB17,000 and RMB15,000 since 2020/2021 academic year. And the upcoming tuition fee adjustment will be effective since academic year 2023/2024. 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 discretely.

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

<b>Category of schools</b>	<b>Current tuition fee standard</b>
High school	Range from RMB30,000 to RMB59,800
University	Range from RMB12,000 to RMB15,000 (diploma)
	Range from RMB17,000 to RMB20,000 (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 has started to manage programs with elite international partners, offering A-level courses, Advanced Placement. In both of 2021 Yixiao Ranking List “Best international Second Schools” and 2021 KingLead Ranking List “China International School Competitiveness Ranking (Undergraduate UK)”, the international department of Chengdu Foreign Languages School ranked first in Sichuan Province.

In 2022, 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 RMB5.1 million in 2021/2022 school year.

*(iv) Provision of non-formal education services*

*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 31 August 2022, the Group provided education management and consultation services to totally eight schools including five kindergartens, two K9/K12 schools and one high school.

The Group began to provide aforementioned services to one public K-12 school and one private K-12 school since September 2022.

*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 RMB13.9 million in 2021/2022 academic year.

*c. Student's local life services, after-class non-subject based activities*

The Group is still seeking business opportunity to providing non-educational student's local life service such as accommodation, canteen and after-class caring to the students enrolled in schools within the affected entities that the Group lost control since 31 August 2021.



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

<b>Category of schools</b>	<b>Self-owned schools</b>	Schools under
	<b>established as at</b>	education
	<b>31 August 2022</b>	management
		service established
		as at
		31 August 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	2
	<b>11</b>	<b>8</b>

<b>Category of schools</b>	<b>Self-owned schools</b>	Schools under
	<b>established</b>	education
	<b>2022/2023</b>	management
		service established
		2022/2023
High school	9	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	4
	<b>13</b>	<b>10</b>

Beginning from 1 September 2022, two self-owned for-profit high-schools in Chengdu will commence operation and one public K-12 school and one private K-12 school will be added into the Group's network under educational management and consultation service arrangements.

### ***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**

After the change of financial year end date, the whole year of the new financial year is from 1 September to 31 August this year. Due to the periodic nature of formal educational services ran by the Group, no tuition fees are generated in the spring and summer holidays in February, July and August each year. Therefore, the data for the year from 1 September 2021 to 31 August 2022 and for the eight-month period from 1 January 2021 to 31 August 2021 are not comparable, and without predictability from an analysis of obvious trends. For completeness, the Group sets out the comparison between the year ended 31 August 2022 and the eight months ended 31 August 2021 below. Further, in order to present the operating positions of the Group clearly, the Group voluntarily presents the audited financial information for the year commenced from 1 September 2021 to 31 August 2022 and the unaudited financial information for the twelve months commenced from 1 September 2020 to 31 August 2021 for the period-on-period comparison.

The unaudited financial information for the twelve months commenced from 1 September 2020 to 31 August 2021 and the audited financial information for the year commenced from 1 September 2021 to 31 August 2022 is set out below:

	<b>For the year ended 31 August 2022 RMB'000</b>	For the twelve months ended 31 August 2021 RMB'000 <i>(Unaudited)</i>	<b>Change RMB'000</b>	<b>Change (percentage)</b>
Revenue	<b>551,118</b>	482,961	68,157	14.1%
Cost of sales	<b>(383,511)</b>	(373,419)	10,092	2.7%
Gross profit	<b>167,607</b>	109,542	58,065	53.0%
Other income and gains	<b>35,043</b>	18,520	16,523	89.2%
Selling and distribution expenses	<b>(6,621)</b>	(9,577)	(2,956)	(30.9%)
Administrative expenses	<b>(93,413)</b>	(129,247)	(35,834)	(27.7%)
Other expenses	<b>(11,753)</b>	(47,037)	(35,284)	(75.0%)
Finance costs	<b>(86,441)</b>	(48,680)	37,761	77.6%
Share of profits and losses of associates	<b>—</b>	(2,326)	(2,326)	(100.0%)
<b>PROFIT/(LOSS)</b>				
<b>BEFORE TAX</b>	<b>4,422</b>	(108,805)	113,227	104.1%
Income tax expense	<b>(531)</b>	(30,463)	(29,932)	(98.3%)
Net profit/(loss) from continuing operations	<b>3,891</b>	(139,268)	143,159	102.8%

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

### (1) Year Ended 31 August 2022 Compared to Eight Months Ended 31 August 2021

#### *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 operations fees and overseas studies consulting fees the Group's schools collected from students, as well as educational management and consultation service fees received by the Group respectively from several private schools and government owned schools during the Reporting Period.

For the year ended 31 August 2022, revenue of the Group amounted to RMB551.1 million. This represents an increase of RMB297.6 million or 117.4%, as compared with revenue of the Group for the eight months ended 31 August 2021. This increase was primarily attributable to (i) five months of tuition and boarding fees recognised by the Group within the eight months ended 31 August 2021; (ii) two new schools commenced operation since 1 September 2022; and (iii) the increase of student enrolment.

#### *Cost of Sales*

Cost of sales primarily consists of staff costs, depreciation and amortization, cost of co-operative education, utilities, cost of repairs, office expense, student subsidies and other costs.

For the year ended 31 August 2022, cost of sales of the Group amounted to RMB383.5 million. This represents an increase of RMB129.3 million or 50.9%, as compared with cost of sales of the Group for the eight months ended 31 August 2021. This increase was primarily attributable to the combined effects of (i) a longer period of time under review for the Reporting Period; and (ii) the increase in staff costs, canteen operation costs, depreciation and amortization costs as a result of two new high schools that commenced operation since 1 September 2021.

### ***Gross Profit and Gross Profit Margin***

For the year ended 31 August 2022, gross profit of the Group amounted to RMB167.6 million, with gross profit margin of 30.4%. For the eight months ended 31 August 2021, gross loss of the Group amounted to RMB0.1 million, with gross loss margin of 0.3%. The increase in gross profit and gross profit margin was primarily due to a longer period of time under review for the Reporting Period.

Gross profit for the year ended 31 August 2022 increased by RMB168.3 million or 25,649.8%, as compared with gross loss for the eight months ended 31 August 2021, which was mainly due to (i) the increase in revenue of RMB297.6 million or 117.4%, as compared with revenue of the Group for the eight months ended 31 August 2021, which was mainly attributable to: (1) five months of tuition and boarding fees recognised by the Group within the eight months ended 31 August 2021; (2) two new schools commenced operation since 1 September 2021; and (3) the increase of student enrolment. The Group usually recognise annual tuition and boarding fees over nine months within an academic year on a straight-line basis, which exclude three months of school holidays (i.e. February, July and August). The Group recognised nine months of tuition fees for the year ended 31 August 2022, which is more than the five months of tuition fees recognised for the eight months ended 31 August 2021; and (ii) cost of sales for the year ended 31 August 2022 increased by RMB129.3 million or 50.9%, as compared with cost of sales of the Group for the eight months ended 31 August 2021. The percentage of increase in the cost of sales of the Group was less than the percentage of increase in the revenue of the Group, primarily due to the fact that the Group incurred costs for the entire eight-month period while revenue recognised within the same period only represents five-month of the annual tuition and boarding fees in the eight months ended 31 August 2021.

### ***Selling and Distribution Expenses***

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

For the year ended 31 August 2022, selling and distribution expenses of the Group amounted to RMB6.6 million. This represent a decrease of RMB0.1 million or 1.5%, as compared with selling and distribution expenses of the Group for the eight months ended 31 August 2021. This decrease was primarily attributable to the implementation cost and expenses control measures.

### ***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.

For the year ended 31 August 2022, administrative expenses of the Group amounted to RMB93.4 million. This represent an increase of RMB3.7 million or 4.1%, as compared with administrative expenses of the Group for the eight months ended 31 August 2021. This increase was primarily attributable to a longer period of time under review for the Reporting Period.

### ***Other Income and Gains***

Other income and gains primarily consist of foreign exchange gain, bank interest income, other interest income and rental income from leasing certain of the Group's properties to independent third parties.

For the year ended 31 August 2022, other income and gains of the Group amounted to RMB35.0 million. This represent an increase of RMB11.8 million or 50.9%, as compared with other income and gains of the Group for the eight months ended 31 August 2021. This increase was primarily attributable to the effect of gain on disposal of an associate of RMB11.4 million recognised for the Reporting Period while no gain recognised for the eight months ended 31 August 2021.



### ***Other Expenses***

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

For the year ended 31 August 2022, other expenses of the Group amounted to RMB11.8 million. This represents a decrease of RMB42.1 million or 78.8%, as compared with other expenses of the Group for the eight months ended 31 August 2021. This decrease was primarily attributable to RMB43.4 million impairment charge of investment in associate recognised for the eight months ended 31 August 2021.

### ***Finance Costs***

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

For the year ended 31 August 2022, finance costs of the Group amounted to RMB86.4 million. This represents an increase of RMB39.5 million or 84.2%, as compared with finance costs of the Group for the eight months ended 31 August 2021. The increase was primarily attributable to a longer period of time under review for the Reporting Period.

### ***Capital Commitments***

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

	<b>31 August 2022 RMB'000</b>	31 August 2021 RMB'000
Contracted, but not provided for:		
Land and buildings, equipment	<b>198,673</b>	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 179.2% as at 31 August 2022, primarily due to the increase in the Group's interest-bearing bank borrowings.

### ***Contingent Liabilities***

As at 31 August 2022, the Group had no material contingent liabilities (31 August 2021: nil).

### ***Pledge of Assets***

As at 31 August 2022, RMB40.8 million (31 August 2021: RMB34.8 million) 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 31 August 2022, the Group had 1,623 employees (31 August 2021: 1,561).

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 year ended 31 August 2022 was approximately RMB228.3 million (for the eight months ended 31 August 2021: RMB151.2 million).

**(2) Year ended 31 August 2022 compared to twelve months ended 31 August 2021 (financial information of twelve months ended 31 August 2021 was unaudited)**

***Revenue***

Revenue for the year ended 31 August 2022 increased by RMB68.2 million, or 14.1% from RMB483.0 million for the twelve months ended 31 August 2021 to RMB551.1 million. The increase was primarily attributed to (i) the increase of RMB35.5 million, or 9.7% in revenue from tuition fees for the twelve months ended 31 August 2021 to RMB436.3 million for the year ended 31 August 2022. The tuition fees of the Group received increased mainly attributable to the increase in the number of students enrolled in 2021/2022 school year, as two new high schools of Chengdu Foreign Languages High School of Deyang and Chengdu Experimental Foreign Languages School of Chengdu Jinniu District commenced operation since September 2021; (ii) the increase of RMB15.7 million, or 64.4% in revenue from school canteen services for the twelve months ended 31 August 2021 to RMB40.2 million for the year ended 31 August 2022 in relation to increase in the number of students; and (iii) the increase of RMB12.0 million, or 123.5% in revenue from service fees for the year ended 31 August 2022 mainly derived from providing educational management and consultation service to several private schools and government owned schools. For more information on student enrolment and school utilisation, please refer to the section headed “Business Review” above.

***Cost of Sales***

Cost of sales for the year ended 31 August 2022 increased by RMB10.1 million, or 2.7%, compared with the twelve months ended 31 August 2021. This increase was primarily attributable to:

- (1) staff costs increased by RMB15.7 million, or 9.9%, which was mainly attributable to (i) the increase in the number of Group’s teachers; and (ii) two high schools and Chengdu Foreign Languages High School of Deyang and Chengdu Experimental Foreign Languages School of Chengdu Jinniu District commenced operation since September 2021;

- (2) direct material costs of canteen operation increased by RMB11.1 million, or 45.4%, which was mainly due to the combined effect of increase in the number of students in the Reporting Period and two new high schools of Chengdu Foreign Languages High School of Deyang and Chengdu Experimental Foreign Languages School of Chengdu Jinniu District that commenced operation since September 2021; and
- (3) depreciation and amortisation decreased by RMB16.9 million, or 15.9%, mainly as a result of the decrease in depreciation charge from the property, plant and equipment and renovation related to our existing campuses.

### ***Gross Profit and Gross Profit Margin***

Gross profit for the year ended 31 August 2022 increased by RMB58.1 million, or 53.0%, and the margin percentage increased by 7.7 percentage points, compared with the twelve months ended 31 August 2021, which was mainly due to (i) the increase in revenue as a result of the increase in student enrolment and tuition fees for certain schools; and (ii) the implementation of cost and expenses control measures.

### ***Selling and Distribution Expenses***

Selling and distribution expenses for the year ended 31 August 2022 decreased by RMB3.0 million, or 30.9%, compared with the twelve months ended 31 August 2021. The decrease of selling and distribution expenses was primarily due to implementation of cost and expenses control measures.

### ***Administrative Expenses***

Administrative expenses for the year ended 31 August 2022 decreased by RMB35.8 million, or 27.7%, compared with the twelve months ended 31 August 2021, primarily attributed to VAT impact arising from transaction between continued and discontinued operations in 2020/2021 school year.

### ***Other Income and Gains***

Other income and gains for the year ended 31 August 2022 increased by RMB16.5 million, or 89.2% compared with the twelve months ended 31 August 2021, mainly because gain on disposal of an associate of RMB11.4 million recognised for the Reporting Period.

### ***Other Expenses***

Other expenses for the year ended 31 August 2022 decreased by RMB35.3 million, or 75.0% compared with the twelve months ended 31 August 2021. The amount recorded for the twelve months ended 31 August 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 pandemic.

### ***Finance Costs***

Finance costs for the year ended 31 August 2022 increased by RMB37.8 million, or 77.6%, compared with the twelve months ended 31 August 2021, mainly attributable to the increase in bank and other borrowings.

## **EVENTS AFTER THE REPORTING PERIOD**

On 30 November 2022, Tibet Huatai entered into the Lease Agreement and Integrated Management Services Agreement with Chengdu Tianren Hotel Co., Ltd, a connected person of the Company, in relation to the use of certain property of a total gross floor area of approximately 2,300 square metres and integrated management services from 1 December 2022 to 30 November 2025. For more details of the transaction, please refer to the Company's announcement dated 30 November 2022.

## **FINAL DIVIDEND**

The Board did not recommend the payment of final dividend for year ended 31 August 2022.

## **ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the of the Company will be closed from Tuesday, 21 February 2023 to Friday, 24 February 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting of the Company (the “AGM”) to be held on Friday, 24 February 2023, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 20 February 2023.

## **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 2021 Implementation Rules**

On 14 May 2021, the State Council issued the 2021 Implementation Rules, which took effect since 1 September 2021. The 2021 Implementation Rules 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 the 2021 Implementation Rules 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 audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Board and external auditor, has reviewed the Group’s annual results announcement and the consolidated financial statements for the year ended 31 August 2022.

## **SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR**

The financial information set out in this announcement does not constitute the Group’s audited consolidated financial statements for the year ended 31 August 2022, but represents an extract from those financial statements which have been agreed with Elite Partners CPA Limited (“Elite Partners”), the auditor of the Company. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on the annual results announcement.



**PUBLICATION OF THE ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.virscendeducation.com](http://www.virscendeducation.com)), and the 2022 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 November 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.*