

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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 AUGUST 2023

ANNUAL RESULTS HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of HKD0.4 cents per share and a special dividend of HKD0.7 cents per share in respect of the year ended 31 August 2023.

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000	Change RMB'000	Percentage Change
REVENUE	762,268	551,118	211,150	+38.3%
Gross profit	251,775	167,607	84,168	+50.2%
Profit	38,561	3,891	34,670	+891.0%
Profit attributable to owners	32,263	11,380	20,883	+183.5%
Adjusted net profit*	57,221	12,091	45,130	+373.3%
Adjusted EBITDA**	304,334	226,227	78,107	+34.5%
	RMB	RMB	RMB	
Basic and diluted earnings per share	1.1 fen	0.4 fen	0.7 fen	+175.0%
Final dividend per share	0.33 fen (HKD0.4 cents)	0.00 fen (HKD0.0 cents)	0.33 fen 0.4 cents	N/A N/A
Dividend payout ratio	30.0%	0.0%		

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

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

Students enrolled	2023/2024	2022/2023	2021/2022
High-school	8,455	6,871	4,449
University	21,884	20,284	18,518
Total number of students enrolled	30,339	27,155	22,967
Network school	9,903	9,319	7,432

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000
Net profit	38,561	3,891
Adjustments for:		
Amortisation of other intangible assets arising from the acquisition of school	19,773	21,832
Foreign exchange gain	(1,113)	(2,213)
Gain on disposal of an associate	—	(11,419)
Adjusted net profit	57,221	12,091

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 2023 (the “Reporting Period”) together with the comparative figures for the year ended 31 August 2022 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 AUGUST 2023**

	Notes	For the year ended 31 August 2023 <i>RMB'000</i>	For the year ended 31 August 2022 <i>RMB'000</i>
REVENUE	4	762,268	551,118
Cost of sales		<u>(510,493)</u>	<u>(383,511)</u>
Gross profit		251,775	167,607
Other income and other gains	4	26,327	35,043
Selling and distribution expenses		(7,736)	(6,621)
Administrative expenses		(106,409)	(93,413)
Other expenses and other losses		(9,967)	(11,753)
Finance costs	5	<u>(99,675)</u>	<u>(86,441)</u>
PROFIT BEFORE TAX		54,315	4,422
Income tax expense	6	<u>(15,754)</u>	<u>(531)</u>
PROFIT FOR THE YEAR		<u>38,561</u>	<u>3,891</u>
Profit for the year attributable to:			
Owners of the Company	8	32,263	11,380
Non-controlling interests		<u>6,298</u>	<u>(7,489)</u>
		<u>38,561</u>	<u>3,891</u>
EARNINGS PER SHARE	8		
Basic		RMB1.1 fen	RMB0.4 fen
Diluted		<u>RMB1.1 fen</u>	<u>RMB0.4 fen</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2023**

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000
PROFIT FOR THE YEAR	38,561	3,891
OTHER COMPREHENSIVE EXPENSE		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(432)	(620)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	(432)	(620)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	38,129	3,271
Total comprehensive income/(expense) for the year attributable to:		
Owners of the Company	32,041	11,066
Non-controlling interests	6,088	(7,795)
	38,129	3,271

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 AUGUST 2023**

	Notes	As at 31 August 2023 <i>RMB'000</i>	As at 31 August 2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,643,837	2,448,030
Right-of-use assets	12	600,278	624,798
Other intangible assets		95,863	116,072
Goodwill		104,298	104,298
Long-term pledged deposits		61,460	36,220
Other non-current assets		3,137	165,420
Deferred tax assets		2,008	—
Total non-current assets		<u>3,510,881</u>	<u>3,494,838</u>
CURRENT ASSETS			
Inventories		183	24
Trade receivables	13	1,961	1,200
Prepayments and other receivables	14	230,465	56,268
Financial assets at fair value through profit or loss		35,360	24,544
Cash and cash equivalents		756,413	389,265
Total current assets		<u>1,024,382</u>	<u>471,301</u>
CURRENT LIABILITIES			
Trade payables	15	1,617	1,352
Other payables and accruals		145,986	155,680
Financial guarantee contracts		1,293	4,839
Interest-bearing bank and other borrowings	11	897,874	644,223
Leases liabilities	12	3,481	576
Tax payable		28,643	24,361
Contract liabilities	10	676,584	463,626
Deferred income		83	193
Total current liabilities		<u>1,755,561</u>	<u>1,294,850</u>
NET CURRENT LIABILITIES		<u>(731,179)</u>	<u>(823,549)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>2,779,702</u>	<u>2,671,289</u>

		As at 31 August 2023 <i>RMB'000</i>	As at 31 August 2022 <i>RMB'000</i>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		2,779,702	2,671,289
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	1,219,334	782,464
Lease liabilities	12	3,381	455
Deferred income		—	1,115
Contract liabilities	10	76,516	116,869
Other payables		46,518	37,698
Amounts due to related parties		591,187	934,346
Total non-current liabilities		1,936,936	1,872,947
Net assets		842,766	798,342
EQUITY			
Equity attributable to owners of the Company			
Share capital		26,051	26,051
Reserves		814,155	782,841
		840,206	808,892
Non-controlling interests		2,560	(10,550)
Total equity		842,766	798,342

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 Act 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 on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 January 2016.

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 RMB731,179,000 (2022: RMB823,549,000) as at 31 August 2023. Included in the current liabilities as at 31 August 2023 were contract liabilities of RMB676,584,000 (2022: RMB463,626,000).

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 of the Company have reviewed the Group's cash flow forecast prepared by the management, which covered a period of not less than twelve months from 31 August 2023. In the opinion of the directors of the Company, 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 2023;
- (ii) the Group has a banking facility of unutilised amount of RMB1,400,000,000 which are available for drawdown within 7 months from 31 August 2023. In the opinion of the directors of the Company, the banking facility can be renewed and the duration can be extended 3 years from 31 August 2023. It is in the process of negotiating with the bank on the renewal of the banking facility by the Group;
- (iii) the directors of the Company have reviewed the historical record of students' drop-out rate of the schools and the amount of refund of tuition fees of the Group. In the opinion of directors of the Company, the probability of the Group's cash outflow from refund of tuition fee received in advance is remote, and the balance of contract liabilities of RMB676,584,000 as at 31 August 2023 (2022: RMB463,626,000), which represents the majority of tuition fee received in advance do not have any material cash outflow for the Group for the foreseeable future of not less than twelve months from end of the Reporting Period; 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

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for their annual reporting period commencing on or after 1 September 2022 for preparation of consolidated financial statements:

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
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years 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:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 IAS 1 Classification of Liabilities as Current or Noncurrent

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 2023, 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 OTHER 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:

	Notes	For the year ended 31 August 2023 <i>RMB'000</i>	For the year ended 31 August 2022 <i>RMB'000</i>
Revenue from contracts with customers			
Tuition fees		603,516	436,266
School canteen operations fees		60,457	40,167
Boarding fees		43,160	31,770
Non-formal education services fees		20,175	13,923
Consultation services fees for overseas studies*		7,004	5,129
Educational management and consultation service fees**		25,930	21,730
Others		2,026	2,133
Total		<u>762,268</u>	<u>551,118</u>
Other income and other gains			
Bank interest income	9	629	467
Other interest income	9	377	1,429
Foreign exchange difference, net	9	1,113	2,213
Government grants			
– related to income		9,751	193
Rental income		4,186	2,554
Gain on disposal of an associate	9	—	11,419
Gain on deconsolidation of subsidiaries	9	1,482	—
Amortisation on financial guarantee contracts		3,545	1,915
Others		5,244	14,853
		<u>26,327</u>	<u>35,043</u>

* 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

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000
Interest on bank and other borrowings	107,064	87,703
Interest on lease liabilities	386	52
Less: interest capitalised	<u>(7,775)</u>	<u>(1,314)</u>
	<u>99,675</u>	<u>86,441</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 Act 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.

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 2023 and for the year ended 31 August 2022.

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 2023 and the year ended 31 August 2022. Certain high schools registered as for-profit schools were subject to the PRC income tax at a statutory tax rate of 25%.

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 are analysed as follows:

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000
Current — PRC		
Total tax charge for the year	<u>15,754</u>	<u>531</u>

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

7. DIVIDENDS

Subsequent to the end of the Reporting Period, a final dividend of HKD0.4 cents per share and a special dividend of HKD0.7 cents per share in respect of the year ended 31 August 2023 (2022: nil) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 3,043,111,000 (year ended 31 August 2022: 3,055,350,000) in issue during the Reporting Period.

There were no potentially dilutive ordinary shares in issue during the year ended 31 August 2023 and the year ended 31 August 2022, 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:

	For the year ended 31 August 2023	For the year ended 31 August 2022
Earnings attributable to ordinary equity holders of the Company (RMB'000)	<u>32,263</u>	<u>11,380</u>
Shares		
Weighted average number of ordinary shares in issue	<u>3,043,111,000</u>	<u>3,055,350,000</u>
Basic and diluted earnings per share (expressed in RMB fen per share)	<u>1.1</u>	<u>0.4</u>

9. PROFIT BEFORE TAX

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

		For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000
Cost of services provided*		184,833	119,864
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other allowances		246,200	179,462
Pension scheme contributions (defined contribution scheme)		24,842	21,746
Depreciation of property, plant and equipment		87,879	78,073
Amortisation of other intangible assets		25,877	22,571
Depreciation of right-of-use assets		33,682	26,520
Allowance for credit losses on trade receivables		61	2,600
Auditor's remuneration			
– audit service		900	850
– non-audit service		80	80
Bank interest income	4	(629)	(467)
Other interest income	4	(377)	(1,429)
Foreign exchange difference, net	4	(1,113)	(2,213)
Gain on disposal of an associate	4	—	(11,419)
Gain on deconsolidation of subsidiaries	4	1,482	—
Loss on disposal of items of property, plant and equipment		145	23,912

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

10. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 31 August 2023 RMB'000	As at 31 August 2022 RMB'000
Tuition fees	555,696	370,956
Boarding fees	40,787	23,709
School canteen operations fees	42,035	43,240
Consultation services fees for overseas studies, non-formal education services fees and educational management and consultation services fees	114,582	142,590
	753,100	580,495
Current	676,584	463,626
Non-current	76,516	116,869
	753,100	580,495

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 semester. Tuition fees, boarding fees and school canteen operations fees 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

		As at 31 August 2023 <i>RMB'000</i>	As at 31 August 2022 <i>RMB'000</i>
Non-current			
Secured			
Bank loans	a	694,480	397,700
Other loans (i)	a	<u>524,854</u>	<u>384,764</u>
		<u>1,219,334</u>	<u>782,464</u>
		As at 31 August 2023 <i>RMB'000</i>	As at 31 August 2022 <i>RMB'000</i>
Current			
Secured			
Bank loans	a	310,000	249,000
Current portion of long term bank loans	a	161,720	149,700
Other loans (i)	a	<u>426,154</u>	<u>245,523</u>
		<u>897,874</u>	<u>644,223</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 31 August 2023

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	4.00-6.90	2023	310,000
Current portion of long term bank loans – secured	3.80-8.00	2023	161,720
Other loans – secured	6.73-8.19	2023	426,154
Non-current			
Bank loans – secured	4.80-7.00	2033	694,480
Other loans – secured	6.26-8.19	2027	524,854
			<u>2,117,208</u>

As at 31 August 2022

	Effective interest rate (%)	Maturity	RMB'000
Current			
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	245,523
Non-current			
Bank loans – secured	4.80-7.00	2033	397,700
Other loans – secured	6.29-8.19	2024	384,764
			<u>1,426,687</u>

12. LEASE

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

	As at 31 August 2023 <i>RMB'000</i>	As at 31 August 2022 <i>RMB'000</i>
Right-of-use assets		
Prepaid land lease payments (i)	574,503	594,849
Buildings and other premises	<u>25,775</u>	<u>29,949</u>
	<u>600,278</u>	<u>624,798</u>
	As at 31 August 2023 <i>RMB'000</i>	As at 31 August 2022 <i>RMB'000</i>
Lease liabilities		
Current	3,481	576
Non-current	<u>3,381</u>	<u>455</u>
	<u>6,862</u>	<u>1,031</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

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000
Depreciation charge of right-of-use assets		
– Prepaid land lease payments	20,346	13,624
– Buildings and other premises	13,336	12,896
	<u>386</u>	<u>52</u>
Interest on lease liabilities	386	52
	<u>386</u>	<u>52</u>

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 31 August 2023 RMB'000	As at 31 August 2022 RMB'000
Trade receivables	2,022	3,800
Less: allowance for credit losses	(61)	(2,600)
	<u>1,961</u>	<u>1,200</u>

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

	As at 31 August 2023 RMB'000	As at 31 August 2022 RMB'000
Within one year	1,961	1,200
	<u>1,961</u>	<u>1,200</u>

14. PREPAYMENTS AND OTHER RECEIVABLES

	As at	As at
	31 August	31 August
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and other receivables	237,099	57,605
Impairment allowance	<u>(6,634)</u>	<u>(1,337)</u>
	<u>230,465</u>	<u>56,268</u>

15. 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	As at
	31 August	31 August
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<u>1,617</u>	<u>1,352</u>

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

16. DECONSOLIDATION OF SUBSIDIARIES

Wulongshan Campus of Chengdu Experimental Foreign Languages School (“Wulongshan High School”) which is a high school and a consolidated affiliated entity of the Group. On 28 April 2023, Chengdu Experimental Foreign Languages School of Xindu Wulongshan and Wulongshan High School have been consolidated into a new school providing primary, middle and high school education services which is classified as school providing compulsory education. Therefore Wulongshan High School was deconsolidated from the Group. For more details, please refer to the Company’s announcements date 28 April 2023.

RMB’000

Net assets/(liabilities) disposed of:

Property, plant and equipment	20,738
Inventories	3
Prepayments, deposits and other receivables	40,481
Cash and cash equivalents	2,056
Other payables	(36,314)
Interest-bearing bank and other borrowings	(20,000)
Contract liabilities	(9,258)
	<hr/>
Subtotal	(2,294)
Non-controlling interests	1,262
	<hr/>
	(1,032)
Gain on deconsolidation of subsidiaries	1,482
	<hr/>
Cash consideration receivables	450
	<hr/> <hr/>
Cash and bank balances disposed of and net outflow of cash in respect of the deconsolidation of subsidiaries	2,056
	<hr/> <hr/>

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.

In 2022/2023, the Group opened two new high schools providing formal education services and two non-formal education institutions in Chengdu City, Sichuan Province, the PRC. As at 31 August 2023, the Group conducted its business primarily through 15 entities providing high school, higher education and non-formal education services in five cities in Sichuan Province, China, Hong Kong SAR and Irvine, the United States. Those 15 entities are categorized based on the table disclosed on page 37 of this announcement. Through these schools, the Group primarily offer formal education with comprehensive education programs.

Besides, in 2022/2023, the Group offered educational management and consultation service to 13 schools including one public high school, two public K-9 schools, one public K-12 school, two private K-12 schools and seven privately owned kindergartens in Sichuan.

In September 2023, the Chengdu Institute Sichuan International Studies University had obtained final 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”) (the “University”).

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 2023 (the “2023 Gaokao”), approximately 89.7% (2022: 94.7%) of graduates from the Flagship Schools who achieved scores that allowed them to apply for and be accepted by first-tier universities in China. 24 of their graduating high school students received offers from Peking University or Tsinghua University (2022: 47) and 83 of their graduating high school students were recommended for admission into first-tier universities without taking the Gaokao (2022: 75).

Other than the Flagship Schools, for 2023 Gaokao, approximately 77.8% 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 36.5%.

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 2023, one high school graduate received offer to be admitted into Williams College which is the top liberal arts college in the United States while two high school graduates received offers to be admitted into Cambridge University in the United Kingdom. In 2023 and 2022, 168 and 145 of students received offers from the top 100 universities in the QS World University Rankings respectively.

Besides, in 2023, 67 students from Chengshiwai Schools (2022: 59) won first prize in provincial academic contests including mathematics, physics, chemistry, biology and information science (“Five Academic Contests”). 15 of Chengshiwai Schools students (2022: 11) were elected into the Sichuan provincial contests teams. Furthermore, six of Chengshiwai Schools students (2022: three) won the gold medal in national Five Academic Contests, five of Chengshiwai Schools students (2022: three) were elected into the national team.

One high school graduate of Chengshiwai Schools won a gold medal in 2022 Beijing Winter Olympics Games and has been recommended for admission into Tsinghua University without taking the Gaokao in 2023.

Chengdu International Studies College (formerly known as Chengdu Institute Sichuan International Studies University)

In September 2023, the University had obtained final approval from the MOE for conversion with new school name “Chengdu International Studies College” (“成都外國語學院”).

The University currently offers 34 bachelor programs and 28 diploma programs. In 2023, according to WuShulian’s “China Independent College and Private Universities Rankings”, the University ranked 4th among all 397 independent colleges and private universities in literature. The employment quality of our undergraduates and the rate of our undergraduate’s pursuing further study both ranked before 30th among all 397 independent colleges and private universities.

The University has 16 foreign language programs including English, Japanese, German, Spanish, French, Portuguese, Korean, Russian, Vietnamese, Thai, Italian, Arabic, Polish, Czech, and Hungarian. In addition, it offers other four- or three-year programs related to foreign languages including Translation, Business English, Teaching Chinese to Speakers of Other Language, Journalism, International Economics and Trade, International Business, Exhibition Economy and Management, Chinese Language and Literature, Preschool Education, E-Commerce, Sports Operation and Management, Golf and Management, Hotel Management, etc. The University enrolls students from 27 provinces, municipalities and autonomous regions across the country, and currently has 21,884 full-time students.

For academic year 2023-2024, the total student enrolment of the Group’s self-operated schools was 30,339, with 8,455 students enrolled in the high-schools and 21,884 students enrolled in the University.

Tuition and other ancillary education fee

During the year ended 31 August 2023, the Group has witnessed growth of the schools operated by the Group in terms of revenue. Revenue increased from RMB551.1 million for the year ended 31 August 2022 to RMB762.3 million for the year ended 31 August 2023. 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 consultation services fees for overseas studies.

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

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000	Change RMB'000	Percentage Change
Tuition fees	603,516	436,266	+167,250	+38.3%
Boarding fees	43,160	31,770	+11,390	+35.9%
School canteen operations fees	60,457	40,167	+20,290	+50.5%
Educational management and consultation service fees	25,930	21,730	+4,200	+19.3%
Non-formal education services	20,175	13,923	+6,252	+44.9%
Consultation services fees for overseas studies	7,004	5,129	+1,875	+36.6%
Others	2,026	2,133	-107	-5.0%
	<u>762,268</u>	<u>551,118</u>	<u>+211,150</u>	+38.3%

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

	For the year ended 31 August 2023 RMB'000	For the year ended 31 August 2022 RMB'000	Change RMB'000	Percentage Change
High school	282,301	160,271	+122,030	+76.1%
University	321,215	275,995	+45,220	+16.4%
Total tuition fees	<u>603,516</u>	<u>436,266</u>	<u>+167,250</u>	+38.3%

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 non-formal education service fees and consultation services fees for overseas studies.

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	2023/2024 Average Tuition Fees RMB	2022/2023 Average Tuition Fees RMB	2021/2022 Average Tuition Fees RMB
High school – domestic program	44,020	41,621	37,998
High school – international program	133,374	116,314	107,548
University	16,767	15,873	14,956

Student Enrollment

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

	2023/2024	2022/2023	2021/2022
High school students – domestic program	8,019	6,427	3,954
High school students – international program	436	444	495
University students	21,884	20,284	18,518
Total number of students	<u>30,339</u>	<u>27,155</u>	<u>22,967</u>

Teachers

	2022/2023	2021/2022
Total number of teachers	<u>1,481</u>	<u>1,319</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 1,481 teachers, of which all hold a bachelor's degree or above, and approximately 54.5% 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 21.0% of our teachers held the advanced teaching qualification, and 74 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 is one new high school that has opened in Meishan, Sichuan province, in September 2023.

(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.

	2023/2024	2022/2023
Total number of students enrolled	30,339	27,155
Total student capacity	48,830	51,630
Overall utilisation rate	62.1%	52.6%

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 is anticipated to be effective since academic year 2024/2025.

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 RMB59,800
University	Range from RMB12,000 to RMB15,000 (diploma)
	Range from RMB14,000 to RMB20,000 (bachelor)
High-school international program	Range from RMB96,000 to RMB148,000

(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. Through nearly five years' development, the international department has managed several programs with elite international partners, mainly operating Advanced Placement (AP)/A-Level center.

Since academic year 2023/2024, we began to provide international education services to students of one more high school within the Group besides the Flagship Schools.

In both of 2022 and 2023 KingLead Ranking List "China International School Competitiveness Ranking (both of enrollment to UK Universities and US Universities)", the AP/A-Level Center of Chengdu Foreign Languages School ("AP/A-Level Center") ranked first in Southwest of China.

Besides, in 2023 Yixiao Ranking List "Best international secondary school", the AP/A-Level Center ranked second in Sichuan Province.

Since 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 customers since later 2019 and recorded revenue of RMB7.0 million in 2022/2023 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 2023, the Group provided education management and consultation services to totally thirteen schools including seven kindergartens, five K9/K12 schools and one public 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 RMB20.2 million in 2022/2023 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:

Category of schools	Self-owned schools	Schools under
	established as at	education
	31 August 2023	management
		service established
		as at
		31 August 2023
High school	9	1
Kindergarten	0	7
University (China)	1	0
University (United States)	1	0
Schools providing non-formal education services	4	0
K9/K12 schools	0	5
	15	13

Category of schools	Self-owned schools	Schools under
	established	education
	2023/2024	management
		service established
		2023/2024
High school	9	1
Kindergarten	0	7
University (China)	1	0
University (United States)	1	0
Schools providing non-formal education services	4	0
K9/K12 schools	0	5
	15	13

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 operation fees and consultation services fees for overseas studies the Group's schools collected from students, as well as management service fees and consultation service fees received by the Group from private schools and government owned schools during the Reporting Period.

For the year ended 31 August 2023, revenue of the Group amounted to RMB762.3 million. This represents an increase of RMB211.2 million or 38.3%, as compared with revenue of the Group for the year ended 31 August 2022. This increase was primarily attributed to the increase in revenue from tuition fees and revenue from school canteen operations fees, being the increase of RMB167.3 million, or 38.3% in revenue from tuition fees to RMB603.5 million for the Reporting Period, and the increase of RMB20.3 million, or 50.5% in revenue from school canteen operations fees to RMB60.5 million for the Reporting Period. The tuition fees and school canteen operation fees which the Group received increase mainly attributable to (i) the increase in the number of students enrolled in 2022/2023 school year, (ii) the increase in the average tuition fee of schools of the Group, and (iii) two new high schools commenced operations since 1 September 2022 in Chengdu.

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, student scholarship costs and other costs.

For the year ended 31 August 2023, cost of sales of the Group amounted to RMB510.5 million. This represents an increase of RMB127.0 million or 33.1%, as compared with cost of sales of the Group for the year ended 31 August 2022. This increase was primarily attributable to:

- (1) staff costs increased by RMB42.5 million, or 24.4%, compared with that of the last year, which was attributable to the increase in the number of teachers recruited in 2022/2023 school year. Two new high schools commenced operations since 1 September 2022 and the increase in the number of students enrolled in existed schools together gave rise to the increase in the number of teachers recruited;
- (2) student scholarship costs increased by RMB33.4 million, or 641.6%, compared with that of the last year, which was mainly due to in the increase in the number of students enrolled in 2022/2023 school year; and
- (3) direct material costs of canteen operation costs increased by RMB14.0 million, or 39.3%, compared with that of the 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.

Gross Profit and Gross Profit Margin

For the year ended 31 August 2023, gross profit of the Group amounted to RMB251.8 million, with gross profit margin of 33.0%. For the year ended 31 August 2022, gross profit of the Group amounted to RMB167.6 million, with gross profit margin of 30.4%. The increase in gross profit and gross profit margin was primarily due to the increase of average tuition fee and the number of students.

Gross profit for the year ended 31 August 2023 increased by RMB84.2 million or 50.2%, as compared with gross profit for the year ended 31 August 2022, which was mainly due to the combined effects of (i) the increase in the number of students enrollment on enhancing the company utilisation rate, (ii) cost saving by implementation of cost and expenses control measures by the Group in its daily operation, and (iii) higher tuition fees of the two for-profit high schools opened in September 2022.

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 2023, selling and distribution expenses of the Group amounted to RMB7.7 million. This represents an increase of RMB1.1 million or 16.8%, as compared with selling and distribution expenses of the Group for the year ended 31 August 2022. The increase in selling and distribution expenses was primarily due to more advertising expenses incurred for student enrollment promotion for two new schools opened in 2022/2023 school year.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, consultation service fees for legal, audit, business development and evaluation services, office-related expenses, depreciation of office buildings and equipment, travel expenses, business advisory service fees and other expenses.

For the year ended 31 August 2023, administrative expenses of the Group amounted to RMB106.4 million. This represents an increase of RMB13.0 million or 13.9%, as compared with administrative expenses of the Group for the year ended 31 August 2022. This increase was primarily attributable to more expenses incurred for two new high schools commenced operations since 1 September 2022.

Other Income and Gains

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

For the year ended 31 August 2023, other income and gains of the Group amounted to RMB26.3 million. This represents a decrease of RMB8.7 million or 24.9%, as compared with other income and gains of the Group for the year ended 31 August 2022. This decrease was primarily attributable to the effect of gain on disposal of an associate of RMB11.4 million recognised for the year ended 31 August 2022 while no gain recognised for the Reporting Period.

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 2023, other expenses of the Group amounted to RMB10.0 million. This represents a decrease of RMB1.8 million or 15.2%, as compared with other expenses of the Group for the year ended 31 August 2022.

Finance Costs

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

For the year ended 31 August 2023, finance costs of the Group amounted to RMB99.7 million. This represents an increase of RMB13.2 million or 15.3%, as compared with finance costs of the Group for the year ended 31 August 2022. The increase was primarily attributable to the interest expenses for the bank and other borrowings of RMB107.1 million for the Reporting Period, representing an increase of RMB19.3 million as compared to the interest expenses of RMB87.7 million for the year ended 31 August 2022. The increase of interest expenses was in line with the increase in bank and other borrowings balance.

Capital Commitments

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

	31 August 2023 RMB'000	31 August 2022 RMB'000
Contracted, but not provided for:		
Land and buildings, equipment	183,228	198,673

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 179.2% as at 31 August 2022 to approximately 251.2% as at 31 August 2023, primarily due to the increase in the Group's interest-bearing bank borrowings.

Contingent Liabilities

As at 31 August 2023, the Group had no material contingent liabilities (31 August 2022: nil).

Pledge of Assets

As at 31 August 2023, RMB61.5 million (31 August 2022: RMB40.8 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 2023, the Group had 1,904 employees (31 August 2022: 1,623).

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 2023 was approximately RMB275.4 million (for the year ended 31 August 2022: RMB228.3 million).

EVENTS AFTER THE REPORTING PERIOD

In September 2023, the University had obtained final approval from the MOE for conversion with new school name “Chengdu International Studies College” (“成都外國語學院”).

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommended the payment of a final dividend of HKD0.4 cents per share and a special dividend of HKD0.7 cents per share in respect of the year ended 31 August 2023. The final dividend and the special dividend are subject to the approval of the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting of the Company to be held on Friday, 26 January 2024 (the “AGM”) and the final dividend and the special dividend will be payable on Friday, 9 February 2024 to the Shareholders whose names appear on the register of members of the Company on Friday, 2 February 2024.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 January 2024 to Friday, 26 January 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM to be held on Friday, 26 January 2024, 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, 22 January 2024.

The register of members of the Company will also be closed from Thursday, 1 February 2024 to Friday, 2 February 2024, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend and the special dividend, during which period no share transfers will be registered. To qualify for the final dividend and the special dividend, 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 Wednesday, 31 January 2024.

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 part 2 of 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.

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 2023.

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 2023, 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 2023 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) and the Company (www.virscendeducation.com), and the 2023 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, 29 November 2023

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.