



VIRSCEND EDUCATION COMPANY LIMITED

成實外教育有限公司

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

Stock Code: 1565



INTERIM REPORT 2022

A **PROFOUND** Chinese Foundation,  
A **PANORAMIC** Global Outlook,  
An **INNOVATIVE** FUTURE



# CONTENTS

Company Profile	2
Corporate Information	3
Financial Highlights	5
Management Discussion and Analysis	6
Corporate Governance/Other Information	19
Unaudited Interim Condensed Consolidated Statement of Profit or Loss	26
Unaudited Interim Condensed Consolidated Statement of Comprehensive Income	27
Unaudited Interim Condensed Consolidated Statement of Financial Position	28
Unaudited Interim Condensed Consolidated Statement of Changes in Equity	30
Unaudited Interim Condensed Consolidated Statement of Cash Flows	31
Notes to Interim Condensed Consolidated Financial Statements	33
Definition	48



## COMPANY PROFILE

The Group is a leading provider of pre-school to grade 12 and university private education services. Through our schools, we provide education services to students in every age group from kindergarten through university. For academic year 2021-2022, the total student enrolment of the Group's selfoperated schools was 22,967, with 4,449 students enrolled in the high-schools, 18,518 students enrolled in Chengdu Institute Sichuan International Studies University (the "University") and 7,432 students enrolled in our network schools, and we employed an aggregate of approximately 1,177 teachers in China. In addition, the Group operates the Virscend University located in Irvine, California, the United States. In March 2021, Virscend University received "Candidacy" status from WASC and expect to receive full accreditation in September 2022. Virscend University currently offers MBA program and has graduated 20 students since 2019.

We currently operate eight schools in five cities in Sichuan Province, namely Chengdu City, Deyang City, Ya'an City, Yi'bin City and Dazhou City. Through these schools, we offer formal education with comprehensive education programs. We are one of the few private education companies in Southwest China that offer high school and university education.

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

Through over 20 years of operating private schools in Sichuan Province, we believe that we have established a strong reputation, which helps us attract high-quality students and teachers and pave the way for our success. We intend to maintain and strengthen our market position in the private education industry in China.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ms. Wang Xiaoying (*Chairwoman of the Board*)

Mr. Yan Yude (*Chief Executive Officer*)

Mr. Ye Jiayu

Mr. Deng Bangkai

#### Independent Non-executive Directors

Mr. Sit Chiu Wing

Mr. Chan Kim Sun

Mr. Wen Ruizheng

### AUDIT COMMITTEE

Mr. Chan Kim Sun (*Chairman*)

Mr. Sit Chiu Wing

Mr. Wen Ruizheng

### REMUNERATION COMMITTEE

Mr. Sit Chiu Wing (*Chairman*)

Ms. Wang Xiaoying

Mr. Wen Ruizheng

### NOMINATION COMMITTEE

Mr. Sit Chiu Wing (*Chairman*)

Mr. Yan Yude

Mr. Wen Ruizheng

### AUTHORISED REPRESENTATIVES

Ms. Wang Xiaoying

Mr. Deng Bangkai

### COMPANY SECRETARY

Ms. Lau Jeanie

### LEGAL ADVISORS

*As to Hong Kong law:*

Morgan, Lewis & Bockius

Suites 1902-09, 19/F

Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

*As to Cayman Islands law:*

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands



## CORPORATE INFORMATION

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 23 He Xin Lu  
Pidu District, Chengdu  
The PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

### CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANK

Industrial and Commercial Bank of China

### INVESTOR RELATIONS

Email: [ir@virscendeducation.com](mailto:ir@virscendeducation.com)  
Address: No. 23 He Xin Lu, Pidu District  
Chengdu, the PRC

### COMPANY'S WEBSITE

[www.virscendeducation.com](http://www.virscendeducation.com)

### STOCK CODE

1565

### DATE OF LISTING

15 January 2016

## FINANCIAL HIGHLIGHTS

### COMPARISON OF KEY FINANCIAL FIGURES

Result of operation				
	For the six months ended 28 February 2022 RMB' 000	For the six months ended 28 February 2021 RMB' 000	Change RMB' 000	Percentage Change (%)
Revenue	<b>298,659</b>	259,227	+39,432	+15.2%
Gross profit	<b>85,689</b>	79,173	+6,516	+8.2%
Profit for the period	<b>7,597</b>	(63,695)	+71,292	+111.9%
Attributable to equity holders of the parent	<b>10,136</b>	(59,796)	+69,932	+117.0%
Earnings per share				
Basic and diluted (RMB)	<b>0.003</b>	0.052	—	—

Financial ratio		
	For the six months ended 28 February 2022	For the six months ended 28 February 2021
Gross profit margin (%)	<b>28.7</b>	30.5
Net profit margin (%)	<b>2.5</b>	(24.5)



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Tuition and other ancillary education fee

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Category of schools

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

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

### Average Tuition Fees

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

### Category of schools

	2021/2022 Average Tuition Fees RMB	2020/2021 Average Tuition Fees RMB
High school – domestic program	<b>37,998</b>	35,359
High school – international program	<b>107,548</b>	104,973
University	<b>14,956</b>	14,165

Note: Average tuition fees are calculated as the gross tuition fees (excluding boarding fees) a particular school received for a given school year divided by the total number of students enrolled at such school for the same school year.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Student Enrolment

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

	As at 28 February 2022	As at 28 February 2021	Change	Percentage Change (%)
High school students – domestic program	<b>3,954</b>	2,943	+1,011	+34.4%
High school students – international program	<b>495</b>	428	+67	+15.7%
University students	<b>18,518</b>	17,557	+961	+5.5%
Total number of students	<b>22,967</b>	20,928	+2,039	+9.7%

### Future Development

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

#### *School Utilisation*

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Tuition Fee*

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

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

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

b. *One stop comprehensive education program*

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Environment, Health and Safety

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

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

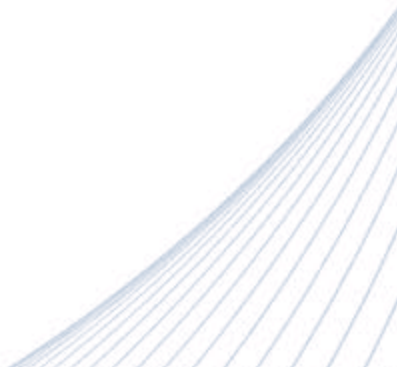
As far as the Board and management of the Company are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with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

## FINANCIAL REVIEW

### Revenue

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

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





## MANAGEMENT DISCUSSION AND ANALYSIS

### Cost of Sales

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

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

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

### Gross Profit and Gross Profit Margin

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

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

### Research and Development Costs

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Selling and Distribution Expenses

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

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

### Administrative Expenses

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

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

### Other Expenses

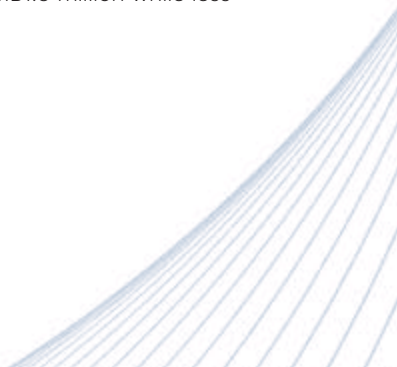
Other expenses consist primarily of impairment loss of investment in an associate, foreign exchange loss, and disposal of various fixed assets.

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

### Finance Costs

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

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







## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Financial Resources

	For the six months ended 28 February 2022 RMB'000	For the six months ended 28 February 2021 RMB'000
Net cash flows from operating activities	5,384	73,757
Net cash flows (used in)/from investing activities	(77,480)	115,238
Net cash flows used in financing activities	(433,777)	(453,901)
Net decrease in cash and cash equivalents	(505,873)	(264,906)
Cash and cash equivalents at beginning of period	631,735	440,473
Effect of foreign exchange rate changes, net	239	11
Cash and cash equivalents at end of period	<u>126,101</u>	<u>175,578</u>

	As at 28 February 2022 RMB'000	As at 31 August 2021 RMB'000
Bank and other borrowings	<u>1,471,212</u>	<u>1,334,360</u>

Analysis of the maturity profile of the bank and other borrowings of the Group as at 28 February 2022 and 31 August 2021 is set out in note 15 to the financial statements. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

### Adjusted net profit/(loss) from continuing operations

Adjusted net profit/(loss) from continuing operations was derived from continuing operations after adjusting those items, which is not indicative of the Group's operating performance. This is not an IFRSs measure. 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 profit/(loss) from continuing operations to adjusted net profit/(loss) from continuing operations:

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 10 October 2021 in relation to the adoption of the Share Award Scheme by the Board of the Company. The trustee purchased an aggregate of 6,308,000 Shares on the Stock Exchange for a settlement costs of HK\$1,499,980.00 for the purpose of the Share Award Scheme during the period from 10 May 2022 to 20 May 2022. By the issue date of this interim report, a total of 45,650,000 Shares were held by the trustee. For more details, please refer to the Company's announcement date 20 May 2022.

## Capital Structure

The Group's financial department is responsible for the Group's financial risk management which operates according to policies implemented and approved by the senior management. As at 28 February 2022, all the bank and other borrowings were settled in RMB, while cash and cash equivalents were primarily held in RMB and HKD. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure. The outstanding balances of bank and other borrowings as at 28 February 2022 were at fixed interest rates or floating interest rates for loans denominated in RMB.

## Foreign Exchange Risk Management

The functional currency of the Company is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at 28 February 2022, certain bank balances were denominated in HKD and USD. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Significant Investments, Acquisitions and Disposals

There were no significant investments held as at 28 February 2022, nor other material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

### Future Plan for Material Investments and Capital Assets

Save as disclosed in this interim report, the Group did not have other plans for material investments and capital assets.

### Capital Commitments

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

	<b>28 February 2022 RMB'000</b>	31 August 2021 RMB'000
Contracted, but not provided for:		
Land and buildings, equipment	<b>63,749</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 182.2% as at 28 February 2022, primarily due to the increase in the Group's interest-bearing bank borrowings.

### Contingent Liabilities

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

### Pledge of Assets

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

### Human Resources

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

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

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



## CORPORATE GOVERNANCE/ OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES

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 CG Code as its own code of corporate governance. The Company has complied with all applicable code provisions under 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 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 the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

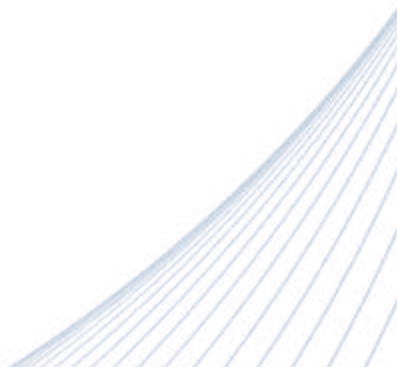
The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

### ADOPTED SHARE AWARD SCHEME

The Company has adopted a Share Award Scheme as a means to recognise the contribution of certain Directors, senior management and employees of the Company and its subsidiaries, or other eligible participant(s). The Shares may be acquired by the trustee (the "Trustee") by way of allotment and issue of new Shares by the Company pursuant to the relevant general mandate or specific mandate granted to the Board by the Shareholders of the Company in general meetings of the Company from time to time, or purchase of Shares in the open market by the Trustee. The Scheme shall be subject to administration of the Board and the Trustee in accordance with the Scheme rules and the trust deed dated 10 October 2021. The Trustee purchased an aggregate of 45,650,000 Shares on the Hong Kong Stock Exchange for a settlement costs of HK\$ 21,520,858.40 for the purpose of the Share Award Scheme during the period from 22 October 2021 to 20 May 2022. No Shares were granted to any eligible participants in the Share Award Scheme by the date of this report.

### INTERIM DIVIDEND

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





## CORPORATE GOVERNANCE/OTHER INFORMATION

### AUDIT COMMITTEE

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

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

### CHANGES TO DIRECTORS’ INFORMATION

The Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

### STRUCTURED CONTRACTS

The foreign investor in a Sino-foreign joint venture private school for PRC students at the preschool, high school and schools offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the “**Qualification Requirement**”). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and had taken concrete steps which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. During the Reporting Period, we also had made inquiries with relevant educational authorities to understand any regulatory developments, and assess whether we are qualified to meet the Qualification Requirement. As of the date of this interim report, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement. Therefore, it is not practicable for us to seek to apply to reorganize any of the PRC Operating Entities as a Sino-Foreign Joint Venture Private School or convert any of the University into a Sino-Foreign Joint Venture Private School. Please also refer to the section headed “**Structured Contracts**” in the Prospectus and our annual report for the years ended 31 December 2018, 2019, 2020 and for the eight months ended 31 August 2021 for our efforts and actions undertaken to comply with the Qualification Requirement. For the Reporting Period, the Board has reviewed the overall performance of the Structured Contracts and believed that the Group has complied with the Structured Contracts in all material respects. We have been advised by our PRC legal advisors that the Structured Contracts do not violate the relevant PRC regulations.



## CORPORATE GOVERNANCE/OTHER INFORMATION

### Qualification Requirement

The Company has adopted a specific plan and taken the following concrete steps which the Company reasonably believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement.

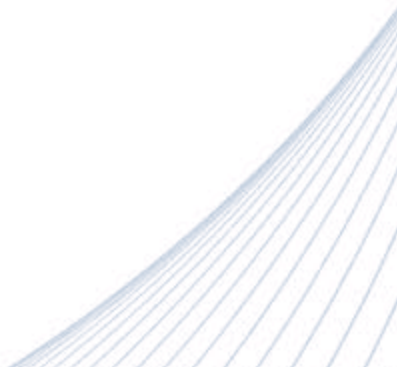
The California Bureau for Private Postsecondary Education (“**BPPE**”) has approved Virscend University to grant two degree programs, Bachelor of Science in Business Administration(**BS**) and Master of Business Administration (**MBA**) programs on November 18, 2016. The University, named Virscend University, has graduated 20 MBA students since its opening. Virscend University is in the process of gaining accreditation from WSCUC, the most prestigious accreditation body in higher education of West region of the United States. The University received Eligibility Status from WSCUC on 3 June 2019 and Candidacy for Accreditation on 3 March 2021, which means that the institution met or has a plan to meet all of the standards at a substantial level of compliance for accreditation. The Company has a total expenditure of USD282,775 in 2021 in connection with the Group’s plan for the six months ended 28 February 2022.

### Recent Development

#### *The impact of the Implementation Regulations*

On 14 May 2021, the State Council issued the Implementation Regulations, which will take effect since 1 September 2021. The Implementation Regulations contains more strict provisions than the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments)(《中華人民共和國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)(《中華人民共和國國民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 interim report, there were no specific policies announced so far and whether there will be any such specific policies remain uncertain. Given the significant uncertainty surrounding the interpretation and application of Implementation Regulations in particular the provision relating to private compulsory education schools conducting transactions with “related parties”, the Group concluded it lost control over those schools since 31 August 2021.





## CORPORATE GOVERNANCE/OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 28 February 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Mr. Yan Yude <sup>(1)</sup>	Interest in a controlled corporation and, interest of spouse	1,383,382,045	Long Position	44.79
Ms. Wang Xiaoying <sup>(2)</sup>	Interest of spouse and, interest in a controlled corporation	1,383,382,045	Long Position	44.79
Mr. Deng Bangkai	Beneficial owner	270,000	Long Position	0.01

Notes:

- (1) Mr. Yan Yude is the sole shareholder and sole director of Virscend Holdings and he is therefore deemed to be interested in 1,315,882,045 Shares held by Virscend Holdings. Mr. Yan Yude is also the husband of Ms. Wang Xiaoying and is therefore deemed to be interested in 67,500,000 Shares held by Ms. Wang Xiaoying through Smart Ally.
- (2) Ms. Wang Xiaoying is the sole shareholder and director of Smart Ally and she is therefore deemed to be interested in 67,500,000 Shares held by Smart Ally. Ms. Wang Xiaoying is also the wife of Mr. Yan Yude and is therefore deemed to be interested in 1,315,882,045 Shares indirectly held by Mr. Yan Yude through Virscend Holdings.

Save as disclosed above, as at 28 February 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## CORPORATE GOVERNANCE/OTHER INFORMATION

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the section headed "Share Option Scheme" of this interim report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 28 February 2022, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Virscend Holdings	Beneficial owner	1,315,882,045	Long Position	42.60
Mr. Yan Yude <sup>(1)</sup>	Interest in a controlled corporation and interest of spouse	1,383,382,045	Long Position	44.79
Ms. Wang Xiaoying <sup>(2)</sup>	Interest in a controlled corporation and interest of spouse	1,383,382,045	Long Position	44.79
Bank of China Limited	Security interest	458,876,100	Long Position	14.86
Happy Venus Limited <sup>(3)</sup>	Beneficial owner	180,544,129	Long Position	5.85
Ms. Yan Hongjia <sup>(3)</sup>	Interest in a controlled corporation	180,544,129	Long Position	5.85
The Bank of New York Mellon Corporation	Interest in a controlled corporation	333,385,000	Long position	10.79
Invesco Canada Ltd.	Investment manager	333,385,000	Lending pool	10.79
		279,915,000	Long position	9.06

## Notes:

- (1) Mr. Yan Yude is the sole shareholder and sole director of Virscend Holdings and he is therefore deemed to be interested in the 1,315,882,045 Shares held by Virscend Holdings. Mr. Yan Yude is the husband of Ms. Wang Xiaoying and is therefore deemed to be interested in the 67,500,000 Shares indirectly held by Ms. Wang Xiaoying through Smart Ally.
- (2) Ms. Wang Xiaoying is the sole shareholder of Smart Ally and she is therefore deemed to be interested in the 67,500,000 Shares held by Smart Ally. Ms. Wang Xiaoying is the wife of Mr. Yan Yude and she is therefore deemed to be interested in the 1,315,882,045 Shares indirectly held by Mr. Yan Yude through Virscend Holdings.
- (3) Ms. Yan Hongjia is the sole shareholder and sole director of Happy Venus Limited and she is therefore deemed to be interested in the Shares held by Happy Venus Limited.





## CORPORATE GOVERNANCE/OTHER INFORMATION

Save as disclosed above, as at 28 February 2022, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

### SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 28 December 2015 (“**Adoption Date**”) for the purpose of giving eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“**Employee**”); (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (f) above.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, which is 300,000,000 Shares excluding Shares which may fall to be issued upon the exercise of the over-allotment option granted by the Company, representing approximately 9.71% of the issued shares as at the date of this interim report.

No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of the Company’s issued share capital from time to time. Where any further grant of options to such an eligible person would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such eligible person and his close associates (or his associates if such eligible person is a connected person) abstaining from voting.



## CORPORATE GOVERNANCE/OTHER INFORMATION

The Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an option to any eligible person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof). Subject to such terms and conditions as the Board may determine (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

An offer of the grant of an option shall remain open for acceptance by the eligible person concerned for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the eligible person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant eligible person, being a date no later than 28 days after the offer date.

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 3 years and 7 months.

Since the Adoption Date, no options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.





# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 28 February 2022

	Notes	Six months ended 28 February	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	<b>298,659</b>	259,227
Cost of sales		<b>(212,970)</b>	(180,054)
Gross profit		<b>85,689</b>	79,173
Other income and gains	4	<b>16,966</b>	7,634
Research and development costs		<b>(2,765)</b>	(2,234)
Selling and distribution expenses		<b>(1,929)</b>	(6,075)
Administrative expenses		<b>(47,566)</b>	(54,082)
Other expenses		<b>(2,538)</b>	(46,965)
Finance costs	5	<b>(37,756)</b>	(29,835)
Share of losses of associates		—	(2,326)
PROFIT/(LOSS) BEFORE TAX	6	<b>10,101</b>	(54,710)
Income tax expense	7	<b>(2,504)</b>	(8,985)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		<b>7,597</b>	(63,695)
DISCONTINUED OPERATION			
Profit/(loss) for the period from a discontinued operation		—	245,140
PROFIT FOR THE PERIOD		<b>7,597</b>	181,445
Attributable to:			
Owners of the parent	8	<b>10,136</b>	160,830
Non-controlling interests		<b>(2,539)</b>	20,615
		<b>7,597</b>	181,445
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – basic and diluted for the period	8	<b>0.003</b>	0.052

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 28 February 2022

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



# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2022

	Notes	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>2,564,826</b>	2,360,938
Right-of-use assets		<b>621,472</b>	642,272
Other intangible assets		<b>135,234</b>	138,643
Goodwill		<b>104,298</b>	104,298
Other non-current assets		<b>177,460</b>	313,754
Total non-current assets		<b>3,603,290</b>	3,559,905
<b>CURRENT ASSETS</b>			
Inventories		<b>105</b>	33
Trade receivable	11	<b>5,832</b>	1,300
Prepayments, other receivables and other assets	10	<b>50,223</b>	107,774
Amounts due from related party	18	<b>608,825</b>	618,027
Cash and cash equivalents		<b>126,101</b>	631,735
Total current assets		<b>791,086</b>	1,358,869
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>4,791</b>	3,396
Other payables and accruals	13	<b>177,553</b>	197,402
Financial guarantee contracts		<b>5,326</b>	5,326
Interest-bearing bank and other borrowings	15	<b>477,015</b>	365,292
Lease liabilities		<b>500</b>	1,230
Tax payable		<b>41,174</b>	24,551
Contract Liabilities	14	<b>256,762</b>	424,140
Deferred income		<b>114</b>	114
Amounts due to related parties	18	<b>—</b>	2,061,651
Total current liabilities		<b>963,235</b>	3,083,102
NET CURRENT LIABILITIES		<b>(172,149)</b>	(1,724,233)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>3,431,141</b>	1,835,672

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2022

	Notes	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>3,431,141</b>	1,835,672
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	<b>994,197</b>	969,068
Deferred income		<b>1,280</b>	1,372
Contract liabilities	14	—	4,376
Amounts due to related parties	18	<b>1,628,031</b>	—
Total non-current liabilities		<b>2,623,508</b>	974,816
Net assets		<b>807,633</b>	860,856
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	<b>26,051</b>	26,051
Reserves		<b>785,289</b>	837,560
Non-controlling interests		<b>(3,707)</b>	(2,755)
Total equity		<b>807,633</b>	860,856



# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2022

	Attributable to owners of the parent							
	Share capital	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 11							
At 1 January 2021	26,051	977,954	586,330	(40)	1,135,356	2,725,651	46,403	2,772,054
Loss for the period	—	—	—	—	(1,797,535)	(1,797,535)	(23,370)	(1,820,905)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	11	—	11	15	26
Total comprehensive income/(loss) for the period	—	—	—	11	(1,797,535)	(1,797,524)	(23,355)	(1,820,879)
Transfer from retained profits	—	—	2,946	—	(2,946)	—	—	—
Addition to non-controlling interests	—	—	—	—	—	—	6,218	6,218
Disposal of subsidiaries	—	(15,113)	(527,842)	—	542,955	—	(32,021)	(32,021)
2020 final dividend declared	—	(64,516)	—	—	—	(64,516)	—	(64,516)
At 31 August 2021 (audited)	26,051	898,325*	61,434*	(29)*	(122,170)*	863,611	(2,755)	860,856
At 1 September 2021	<b>26,051</b>	<b>898,325</b>	<b>61,434</b>	<b>(29)</b>	<b>(122,170)</b>	<b>863,611</b>	<b>(2,755)</b>	<b>860,856</b>
Profit for the period	—	—	—	—	10,136	10,136	(2,539)	7,597
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	122	—	122	117	239
Total comprehensive income/(loss) for the period	—	—	—	122	10,136	10,258	(2,422)	7,836
Transfer from retained profits	—	—	1	—	(1)	—	—	—
Addition to non-controlling interests	—	—	—	—	—	—	1,470	1,470
Acquisition of shares for employ Share Award Scheme	—	(14,447)	—	—	—	(14,447)	—	(14,447)
2021 interim dividend declared	—	(48,082)	—	—	—	(48,082)	—	(48,082)
At 28 February 2022 (unaudited)	<b>26,051</b>	<b>835,796*</b>	<b>61,435*</b>	<b>93*</b>	<b>(112,035)*</b>	<b>811,340</b>	<b>(3,707)</b>	<b>807,633</b>

\* These reserve accounts comprise the consolidated reserves of RMB785,289,000 (as at 31 August 2021: RMB837,560,000) in the interim condensed consolidated statement of financial position.

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 28 February 2022

	Notes	Six months ended 28 February	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>10,101</b>	(54,710)
Adjustments for:			
Finance costs	5	<b>37,756</b>	29,835
Impairment of an investment in an associate		—	43,430
Bank Interest income	4	<b>(282)</b>	(394)
Other interest income	4	<b>(1,746)</b>	—
Government grants released		<b>(94)</b>	(519)
Depreciation	6	<b>41,552</b>	34,005
Amortisation of intangible assets	6	<b>11,284</b>	11,284
Depreciation of right-of-use assets	6	<b>13,988</b>	13,662
		<b>112,559</b>	76,593
(Increase)/decrease in inventories		<b>(72)</b>	15
Decrease in prepayments, other receivables and other assets		<b>34,425</b>	13,175
Increase in trade payables		<b>1,395</b>	—
Increase in other payables and accruals		<b>29,259</b>	9,508
Decrease in contract liabilities		<b>(171,754)</b>	(21,147)
Cash generated from operations		<b>5,812</b>	78,144
Interest received	4	<b>282</b>	394
Income tax paid		<b>(710)</b>	(4,781)
Net cash flows from operating activities		<b>5,384</b>	73,757





## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 28 February 2022

	Notes	Six months ended 28 February	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		<b>(77,480)</b>	(86,363)
Receipt of government grants for property, plant and equipment		—	2,156
Loans to third parties		—	(15,441)
Repayment of loans from third parties		—	195,086
Interest received		—	19,800
Net cash flows (used in)/from investing activities		<b>(77,480)</b>	115,238
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		<b>197,000</b>	140,000
Repayments of bank loans		<b>(118,500)</b>	(152,500)
New other loans		<b>58,352</b>	109,630
Repayments of other loans		<b>2,584</b>	14,826
Addition to non-controlling interests		<b>1,470</b>	—
Decrease in Long-term receivables		<b>17,913</b>	(6,000)
Dividends paid		<b>(122,824)</b>	(214,181)
Principal portion of lease payments		<b>(758)</b>	—
Interest paid		<b>(44,545)</b>	(23,581)
Repayment of a third party		—	(100,000)
Repayment of related party loans	16	<b>(424,469)</b>	(222,095)
Net cash flows used in financing activities		<b>(433,777)</b>	(453,901)
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>126,101</b>	175,578
Cash and cash equivalents as stated in the statement of cash flows		<b>126,101</b>	175,578
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		<b>631,735</b>	440,473
Effect of foreign exchange rate changes, net		<b>239</b>	11
CASH AND CASH EQUIVALENTS AT END OF YEAR		<b>126,101</b>	175,578

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

## 1. CORPORATE INFORMATION

Virscend Education Company Limited (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. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 January 2016 (the “**Listing Date**”).

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in providing private education services in the People’s Republic of China (the “**PRC**”). There has been no significant change in the Group’s principal activities during the period.

## 2. BASIS OF PREPARATION

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

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

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the eight months ended 31 August 2021.

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

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

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

- (a) Amendments to IFRS 3,
- (b) Amendment to IAS 16
- (c) Amendments to IAS 37,
- (d) Annual Improvements to IFRSs 2018-2020

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – CONTINUED

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

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

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

<sup>2</sup> No mandatory effective date yet determined but available for adoption

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

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 28 February	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	245,662	215,782
Boarding fees	16,297	13,101
School canteen operations fees	22,110	12,578
Non-formal tutoring tuition fees (early child and after-class training tuition fees)	5,345	8,366
Consultation services fees for overseas studies	2,322	2,931
Educational management and consultation service fees	6,923	6,469
	<b>298,659</b>	<b>259,227</b>
Other income and gains		
Bank interest income	282	394
Other interest income	1,746	—
Government grants		
– related to assets	86	86
– related to income	8	433
Gain from derecognition of right-of-use assets and lease liabilities	—	689
Others	14,844	6,032
	<b>16,966</b>	<b>7,634</b>

### 5. FINANCE COSTS

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 6. PROFIT BEFORE TAX

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

	Six months ended 28 February	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of services provided*	52,066	22,718
Canteen operation costs	22,754	13,619
Research and development costs**	2,765	2,234
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other allowances	90,591	85,479
Pension scheme contributions (defined contribution scheme)	9,543	8,761
Depreciation of property, plant and equipment	41,552	34,005
Amortisation of intangible assets	11,284	11,284
Depreciation of right-of-use assets	13,988	13,662
Impairment of investment in an associate***	—	43,430
Lease payments not included in the measurement of lease liabilities	326	348
Bank interest income	(282)	(394)
Other interest income	(1,746)	0
Foreign exchange differences, net	1,451	569
Loss on disposal of items of property, plant and equipment	1	—

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

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

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 7. INCOME TAX

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

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.

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

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 8. EARNINGS 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 period attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 3,088,761,000 (six months ended 28 February 2021: 3,088,761,000) in issue during the Reporting period.

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

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

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

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2022, the Group acquired assets with a cost of RMB 226,550,374 on additions to property, plant and equipment and RMB 113,251,685 on additions on construction in progress which mainly transfer from non-current assets.

Assets with a net book value of RMB10,143 were disposed of by the group during the six months ended 28 February 2022, and no loss resulted on disposal of items of property, plant and equipment.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

An impairment analysis of financial assets included in prepayments, other receivables and other assets is performed at each reporting date by considering the probability of default of comparable companies with an estimated loss rate. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 28 February 2022, there is no indication of increased risk in loan collection mentioned above. So, no further impairment allowance was recognised.

### 11. 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:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Within half year	<u>5,832</u>	<u>1,300</u>

### 12. TRADE PAYABLES

An ageing analysis of the trade payables as at the ended of the reporting period, based on the invoice date, is as follows:

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

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

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





## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 13. OTHER PAYABLES AND ACCRUALS

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Payables for purchase of fixed assets and construction	46,173	9,406
Other payables	119,325	99,524
Rental fees payable	3,197	1,699
Accruals	7,772	9,712
Dividends payable	—	74,741
Interest payable	1,086	2,320
	<b>177,553</b>	<b>197,402</b>

### 14. CONTRACT LIABILITIES

The following table provides information about contract liabilities from contracts with customers:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Tuition fees	218,131	356,829
School canteen operation fees	15,892	24,299
Boarding fees	15,645	27,155
Consultation services fees for overseas studies and non-formal tutoring tuition fees	2,392	20,033
Educational management and consultation service fees	4,292	—
Others	2,802	—
	<b>256,762</b>	<b>428,316</b>

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	28 February 2022			31 August 2021		
	Effective interest rate			Effective interest rate		
	%	Maturity	RMB'000	%	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	4.45-6.90	2023	217,000	4.45-6.90	2022	190,000
Current portion of long term bank loans – secured	4.80-7.00	2023	64,200	4.80-7.00	2022	43,000
Other loans – secured	6.26-8.19	2023	195,815	6.73-8.19	2022	132,292
			<u>477,015</u>			<u>365,292</u>
<b>Non-current</b>						
Bank loans – secured	4.80-7.00	2033	527,800	4.80-7.00	2033	497,500
Other loans – secured	6.26-8.19	2024	466,397	6.73-8.19	2024	471,568
			<u>994,197</u>			<u>969,068</u>
			<u>1,471,212</u>			<u>1,334,360</u>

	28 February 2022	31 August 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	281,200	233,000
In the second year	277,300	237,500
In the third to fifth years, inclusive	102,500	104,500
Beyond five years	148,000	155,500
	<u>809,000</u>	<u>730,500</u>
Other borrowings repayable:		
Within one year or on demand	195,815	132,292
In the second year	260,750	158,878
In the third to fifth years, inclusive	205,647	312,690
	<u>662,212</u>	<u>603,860</u>
	<u>1,471,212</u>	<u>1,334,360</u>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 15. INTEREST-BEARING BANK AND OTHER BORROWINGS – CONTINUED

As at 28 February 2022, the Group's bank borrowings amounting to RMB809,000,000 were secured by assets of or guaranteed by Mr. Yan Yude, Ms. Wang Xiaoying and certain related companies controlled by Mr. Yan Yude. Out of the bank borrowings amounting to RMB809,000,000, a relative of Mr. Yan Yude and a director of the Company also provided guarantee on bank borrowings amounting to RMB100,000,000 and RMB150,000,000, respectively.

As at 28 February 2022, the Group's other borrowings are related to loans borrowed from third party financing companies under sales and leaseback arrangements for certain property, plant and equipment with total amount of RMB662,212,000. The other borrowings have maturities from 1 to 5 years and are guaranteed by Mr. Yan Yude, Ms. Wang Xiaoying, certain related companies controlled by Mr. Yan Yude, a relative of Mr. Yan Yude and long-term pledged deposits.

Besides, bank borrowings amounting to RMB253,000,000 out of RMB809,000,000 were also secured by mortgages over buildings situated in Chengdu, owned by a related party, and bank borrowings amounting to RMB40,000,000 out of RMB809,000,000 were secured by the pledge of 55,000,000 equity interests of Mr. Yan Yude and a relative of Mr. Yan Yude.

### 16. SHARE CAPITAL

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Issued and fully paid: 3,088,761,000 (2021: 3,088,761,000) ordinary shares of HK\$0.01 each	<b>26,051</b>	26,051

### 17. COMMITMENTS

#### Capital commitments

The Group had the following capital commitments at the end of each of the reporting period:

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Contracted, but not provided for: Buildings, equipment	<b>63,749</b>	183,621
	<b>63,749</b>	183,621

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 18. RELATED PARTY TRANSACTIONS

#### (A) NAMES AND RELATIONSHIPS OF RELATED PARTIES

Name	Relationship
Mr. Yan Yude	Director of the Company
Ms. Wang Xiaoying	Spouse of Mr. Yan Yude
Ms. Xie Suhua	Mother of Mr. Yan Yude
Ms. Yan Hongjia	The daughter of Mr. Yan Yude
Mr. Ye Jiayu	Executive director of the Company
Ms. Ye Jiaqi	Mother of Ms. Yan Hongjia, Sister of Mr. Ye Jiayu
Sichuan Derui	A company controlled by Mr. Yan Yude
Chengdu Tianren Property Development Co., Ltd. ("Tianren Property")	A company controlled by Mr. Yan Yude's relatives
Chengdu Tianren Hotel Co. Ltd ("Tianren Hotel")	A company controlled by Mr. Yan Yude
USA Tianren Hotel Management Inc., ("USA Tianren Hotel")	A company controlled by Ms. Xie Suhua, mother of Mr. Yan Yude
Virscend Holdings Company Limited ("Virscend Holdings")	A company controlled by Mr. Yan Yude
Sichuan Derui Wanhua Education Management Co., LTD ("Derui Wanhua")	A company controlled by Mr. Yan Yude
Lucky Sign Global Limited ("Lucky Sign")	A company controlled by Mr. Ye Jiayu and Ms. Ye Jiaqi
Happy Venus Limited ("Happy Venus")	A company controlled by Ms. Yan Hongjia, daughter of Mr. Yan Yude
Chengdu Dongai Education Management Center (Limited Partnership) ("Chengdu Dongai")	Controlling shareholder of an associate
Related companies also include the Affected Entities deconsolidated on 31 August 2021 as follow which are companies controlled by Sichuan Derui:	
Chengdu Experimental Foreign Languages School	
Chengdu Foreign Languages School	
Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School (Meinian Campus)	
Chengdu Experimental Foreign Languages School of Xindu Wulongshan	
Chengdu Foreign Languages School of Panzhuhua	



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 18. RELATED PARTY TRANSACTIONS – CONTINUED

#### (A) NAMES AND RELATIONSHIPS OF RELATED PARTIES – CONTINUED

Name	Relationship
Primary School Attached to Chengdu Foreign Languages School (Xichen Campus)	
Chengdu Foreign Languages School of Deyang	
Chengdu Experimental Foreign Languages School (Western Campus)	
Primary School Attached to Chengdu Experimental Foreign Languages School	
Chengdu Experimental Foreign Languages School of Quxian	
Chengdu Experimental Foreign Languages School of Ya'an	
Primary School of Chengdu Foreign Languages School of Yibin	
Chengdu Foreign Languages School of Yibin	
Chengdu Foreign Languages School of Xinjin	
Renshou Chengdu Foreign Languages School	
CDFL Primary School	
Kindergarten of the Primary School attached to Chengdu Jinniu District Foreign Languages School	

As disclosed in the consolidated statement of financial position, the Group had outstanding balances due to related parties at 31 August 2021 and 28 February 2022.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 18. RELATED PARTY TRANSACTIONS – CONTINUED

#### (B) OUTSTANDING BALANCES WITH RELATED PARTIES

*Amounts due from related parties*

Note	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
Derui Wanhua	9,180	9,180
Chengdu Dongai	1,467	2,259
Chengdu Experimental Foreign Languages School	340,478	173,970
Chengdu Foreign Languages School	106,350	253,092
Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School (Meinian Campus)	—	3
Chengdu Experimental Foreign Languages School (Western Campus)	14	—
Chengdu Experimental Foreign Languages School of Xindu Wulongshan	82,000	117,387
Chengdu Foreign Languages School of Panzhihua	4,721	23
Chengdu Experimental Foreign Languages School of Quxian	7,618	8,149
Chengdu Experimental Foreign Languages School of Ya'an	2,250	1,650
Primary School Attached to Chengdu Foreign Languages School (Xichen Campus)	1,620	420
Chengdu Foreign Languages School of Deyang	50,034	50,034
Primary School of Chengdu Foreign Languages School of Yibin	60	—
Chengdu Foreign Languages School of Yibin	822	—
Others	2,211	1,860
	<b>608,825</b>	618,027



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 18. RELATED PARTY TRANSACTIONS – CONTINUED

#### (B) OUTSTANDING BALANCES WITH RELATED PARTIES – CONTINUED

*Amounts due to related parties*

	28 February 2022 RMB'000 (Unaudited)	31 August 2021 RMB'000 (Audited)
USA Tianren Hotel	1,182	1,231
Mr. Yan Yude	4,264	1,294
Lucky Sign*	—	3,323
Happy Venus*	—	13,291
Virscend Holdings	16,614	16,614
Chengdu Experimental Foreign Languages School	892,372	988,602
Chengdu Foreign Languages School	79,866	475,090
Chengdu Experimental Foreign Languages School (Western Campus)	19,078	15,811
Primary School Attached to Chengdu Experimental Foreign Languages School	45,542	47,542
Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School (Meinian Campus)	811	814
Chengdu Experimental Foreign Languages School of Xindu Wulongshan	1,400	—
Chengdu Foreign Languages School of Panzhihua	77,602	80,602
Chengdu Experimental Foreign Languages School of Quxian	34,998	34,998
Chengdu Experimental Foreign Languages School of Ya'an	56,142	56,179
Primary School Attached to Chengdu Foreign Languages School (Xichen Campus)	23,933	77,933
Primary School of Chengdu Foreign Languages School of Yibin	17,026	17,026
Chengdu Foreign Languages School of Yibin	272,707	147,307
Chengdu Xinjin District Chengdu Foreign Languages School	84,494	83,994
	<b>1,628,031</b>	2,061,651

The amounts due from/due to related parties are unsecured and interest-free.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2022

### 18. RELATED PARTY TRANSACTIONS – CONTINUED

#### (C) OTHER RELATED PARTY TRANSACTIONS

- 1) During the period, the Group entered into the following transactions with its related parties:

Nature of transaction		Six months ended 28 February	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Tianren hotel	Receiving catering and accommodation services	749	705

- 2) Certain of the Group's bank borrowings were secured or guaranteed by related parties. Details are in note 15 to the financial statements.

### 19. DIVIDEND

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

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

### 20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2021.

### 21. EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 10 October 2021 in relation to the adoption of the Share Award Scheme by the Board of the Company. The trustee purchased an aggregate of 6,308,000 Shares on the Stock Exchange for a settlement costs of HK\$1,499,980.00 for the purpose of the Share Award Scheme during the period from 10 May 2022 to 20 May 2022. By the issue date of this interim report, a total of 45,650,000 Shares were held by the trustee. For more details, please refer to the Company's announcement date 20 May 2022.





## DEFINITION

“Affected Entities”	the PRC Operating Entities providing compulsory education services, which the Group lost control since 31 August 2021
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Chengdu Experimental Foreign Languages School”	Chengdu Experimental Foreign Languages School* (成都市實驗外國語學校), a private middle and high school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School (Western Campus)”	Chengdu Experimental Foreign Languages School (Western Campus)* (成都市實驗外國語學校(西區)), a private middle and high school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School of Quxian”	Chengdu Experimental Foreign Languages School of Quxian* Languages (渠縣成都市實驗外國語學校), a private middle school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School of Ya’an”	Chengdu Experimental Foreign Languages School of Ya’an* (雅安市兩城區成實外學校), a private primary and middle school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School of Xindu Wulongshan”	Chengdu Experimental Foreign Languages School of Xindu Wulongshan* (成都實外新都五龍山學校), a private primary and middle school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 85% by Sichuan Derui, 15% by an independent third party
“Chengdu Foreign Languages School”	Chengdu Foreign Languages School* (成都外國語學校), a private school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Foreign Languages School of Deyang”	Chengdu Foreign Languages School of Deyang* (德陽成都外國語學校), a private primary and middle school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 40% by Sichuan Derui, 60% by an independent third party
“Chengdu Foreign Languages School of Panzhihua”	Chengdu Foreign Languages School of Panzhihua* (攀枝花市成都外國語學校), a private middle and high school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company

## DEFINITION

“Chengdu Foreign Languages School of Xinjin”	Chengdu Foreign Languages School of Xinjin* (成都市新津區成外學校), a private primary and middle school under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 97% by Sichuan Derui, 3% by an independent third party
“Chengdu Foreign Languages School of Yibin”	Chengdu Foreign Languages School of Yibin* (宜賓市翠屏區成外學校), a private middle school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly owned by Sichuan Derui
“Chengdu Institute Sichuan International Studies University” or “University”	Chengdu Institute Sichuan International Studies University* (四川外國語大學成都學院), a private university established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 75.7% by Sichuan Derui, and 24.3% by Xinhua Winshare, each a school sponsor. Sichuan International Studies University* (四川外國語大學) is named as a school sponsor entitled to the rights stipulated under the articles of the University and the relevant PRC laws
“Company”	Virscend Education Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 1565)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely Mr. Yan Yude and Virscend Holdings
“Corporate Governance Code” or “CG Code”	Corporate Governance Code and Corporate Governance Report or “CG Code” contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“K-12”	preschool to grade twelve, also known as “fundamental education”
“Listing”	the listing of Shares on the Main Board of the Stock Exchange
“Listing Date”	15 January 2016, being the date on which the Shares of the Company are listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



## DEFINITION

“Meinian Campus”	Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School* (成都外國語學校高新美年校區), a private primary school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 53% by Sichuan Derui, 47% by independent third parties
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MOE”	the Ministry of Education of China
“PRC” or “China”	The People’s Republic of China
“PRC Legal Advisors”	Jingtian & Gongcheng, the legal advisors of the Company as to the PRC laws
“PRC Operating Entities”	consolidated affiliated entities of the Company, namely, schools or institutions through which the Group conducts its our private education business
“Primary School Attached to Chengdu Foreign Languages School” or “Primary School”	Primary School attached to Chengdu Foreign Languages School* (成都外國語學校附屬小學), a private primary school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Primary School Attached to Chengdu Experimental Foreign Languages School”	Primary School Attached to Chengdu Experimental Foreign Languages School* (成都市實驗外國語學校附屬小學), a private primary school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Primary School of Chengdu Foreign Languages School of Yibin”	Primary School of Chengdu Foreign Languages School of Yibin* (宜賓市翠屏區成外附屬小學), a private primary school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly owned by Sichuan Derui
“Prospectus”	the prospectus of the Company dated 31 December 2015
“Reporting Period”	the six months ended 28 February 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance
“Share(s)”	share(s) of HK1.0 cent each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 28 December 2015

## DEFINITION

“Sichuan Derui”	Sichuan Derui Enterprise Development Co., Ltd.* (四川德瑞企業發展有限公司) (previously known as Sichuan Province Derui Enterprise Development Company* (四川省德瑞企業發展總公司)), a company established under the laws of the PRC, which is owned as to 69.44% by Mr. Yan Yude, 18.55% by Ms. Yan Hongjia, 3.00% by Ms. Wang Xiaoying, 2.65% by Ms. Ye Jiaqi, 1.59% by Mr. Ye Jiayu, 1.59% by Ms. Yan Bixian, 1.59% by Ms. Yan Birong and 1.59% by Ms. Yan Bihui
“Smart Ally”	Smart Ally International Limited, a Company incorporated in the BVI with limited liability on 12 May 2015 and wholly-owned by Ms. Wang Xiaoying, the spouse of Mr. Yan Yude and the step-mother of Ms. Yan Hongjia
“Southwest China”	comprises Sichuan, Guizhou and Yunnan Provinces and Chongqing Municipality
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meanings ascribed to it in the Listing Rules. For the avoidance of doubt, the Subsidiaries included PRC Operating Entities in the Prospectus
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Structured Contracts”	collectively, the Business Cooperation Agreements, the Exclusive Technical Service and Management Consultancy Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreement, the School Sponsors’ and Directors’ Rights Entrustment Agreements, the School Sponsors’ Powers of Attorneys, the Directors’ Powers of Attorneys, the Loan Agreements and the Spouse Undertakings
“Tibet Huatai”	Tibet Huatai Education Management Consulting Co., Ltd.* (西藏華泰教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC and a wholly-owned subsidiary of the Company
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“Virscend Holdings”	Virscend Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability on 20 March 2015 and wholly-owned by Mr. Yan Yude, an executive Director and one of the Controlling Shareholders
“Xichen Campus”	Primary school Attached to Chengdu Foreign Languages School (Xichen Campus)* (成都市金牛區成外附小西宸學校), a private primary school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly owned by Sichuan Derui



## DEFINITION

“Xinhua Winshare”

Xinhua Winshare Publishing and Media Co., Ltd.\* (新華文軒出版傳媒股份有限公司) (previously known as Sichuan Xinhua Winshare Chainstore Co., Ltd.\* (四川新華文軒連鎖股份有限公司)), a joint stock limited company established under the laws of the PRC with limited liability whose shares are listed on the Stock Exchange (stock code: 0811)

“2021 Implementation Rules”

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》) promulgated by the PRC State Council, which came into effect on 1 September 2021

%

per cent

\* *For identification purpose only*