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

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

**(Stock Code: 1565)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE EIGHT MONTHS ENDED 31 AUGUST 2021**

**ANNUAL RESULTS HIGHLIGHTS**

	<b>For the eight months ended 31 August 2021</b>	<b>For the year ended 31 December 2020</b>	<b>Change RMB'000</b>	<b>Percentage Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	
	<b>(Audited)</b>	<b>(Restated)</b>		
<b>REVENUE</b>	<b>253,546</b>	372,696	<b>(119,150)</b>	<b>-32.0%</b>
<b>Gross profit/(loss)</b>	<b>(656)</b>	109,434	<b>(110,090)</b>	<b>-100.6%</b>
<b>Adjusted net loss from continuing operations*</b>	<b>(107,051)</b>	(10,802)	<b>(96,249)</b>	<b>+891.0%</b>
<b>Adjusted EBITDA from continuing operations**</b>	<b>61,649</b>	149,132	<b>(87,483)</b>	<b>-58.7%</b>

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

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

<b>Students enrolled</b>	<b>2021/2022</b>	2020/2021	2019/2020
<b>High-school</b>	<b>4,449</b>	3,371	3,089
<b>Kindergarten</b>	<b>—</b>	706	517
<b>University</b>	<b>18,518</b>	17,557	16,888
<b>Total number of students enrolled</b>	<b>22,967</b>	21,634	20,494
<b>Network school</b>	<b>7,432</b>	6,501	1,003

	<b>For the eight months ended 31 August 2021 RMB'000 (Audited)</b>	For the year ended 31 December 2020 RMB'000 (Restated)
<b>Net loss from continuing operations</b>	<b>(198,855)</b>	(140,842)
Adjustments for:		
Amortisation of other intangible assets arising from the acquisition of school	<b>14,555</b>	7,277
Foreign exchange (gain)/loss	<b>379</b>	(4,065)
One-off settlement payment arising from converting the University from independent college to a private higher education institution	<b>—</b>	125,000
Income tax and VAT impact arising from transaction between continued and discontinued operations	<b>33,440</b>	21,670
Impairment loss on an associate company	<b>43,430</b>	11,958
Fair value gain of an investment in an associate	<b>—</b>	(31,800)
<b>Adjusted net loss from continuing operations</b>	<b>(107,051)</b>	(10,802)

***Unaudited adjusted net loss from continuing operations***

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

	<b>For the twelve months ended 31 August 2021 RMB'000 Unaudited</b>	<b>For the twelve months ended 31 August 2020 RMB'000 Unaudited</b>
Net loss from continuing operations	<b>(139,268)</b>	(112,210)
Adjustments for:		
Amortisation of other intangible assets arising from the acquisition of school	<b>21,832</b>	—
Foreign exchange (gain)/loss	<b>485</b>	1,533
One-off settlement payment arising from converting the University from independent college to a private higher education institution	—	125,000
Income tax and VAT impact arising from transaction between continued and discontinued operations	<b>43,779</b>	5,043
Impairment loss on an associate company	<b>43,430</b>	11,958
Fair value gain of an investment in an associate	—	(31,800)
<b>Adjusted net loss from continuing operations</b>	<b>(29,742)</b>	(476)

The board (the “Board”) of directors (the “Directors”) of Virscend Education Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the eight months ended 31 August 2021 (the “Reporting Period”) together with the comparative figures for the year ended 31 December 2020 as follows:

## MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Reference is made to the announcement of the Company dated 13 January 2022 in relation to the unaudited annual results for the eight months ended 31 August 2021. (the “**Unaudited Annual Results Announcement**”). Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group for the eight months ended 31 August 2021. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

	<b>For the eight months ended 31 August 2021</b>			
	<i>RMB'000</i>	<i>RMB'000</i>	Difference <i>RMB'000</i>	<i>Notes</i>
	<b>Audited</b>	Unaudited		
<b>DISCONTINUED OPERATIONS</b>				
(Loss)/profit for the period/year from discontinued operations	<u>(1,622,050)</u>	<u>(1,614,550)</u>	<u>(7,500)</u>	1
<b>(LOSS)/PROFIT FOR THE PERIOD/YEAR</b>	<u><u>(1,820,905)</u></u>	<u><u>(1,813,405)</u></u>	<u><u>(7,500)</u></u>	
Attributable to:				
Owners of the parent	<u>(1,797,535)</u>	<u>(1,790,035)</u>	<u>(7,500)</u>	
Non-controlling interests	<u>(23,370)</u>	<u>(23,370)</u>	<u>—</u>	
	<u><u>(1,820,905)</u></u>	<u><u>(1,813,405)</u></u>	<u><u>(7,500)</u></u>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>				
	<u><u>(1,820,879)</u></u>	<u><u>(1,813,379)</u></u>	<u><u>(7,500)</u></u>	
Attributable to:				
Owners of the parent	<u>(1,797,524)</u>	<u>(1,790,022)</u>	<u>(7,502)</u>	
Non-controlling interests	<u>(23,355)</u>	<u>(23,357)</u>	<u>2</u>	

**As at 31 August 2021**

	<i><b>RMB'000</b></i>	<i>RMB'000</i>	Difference <i>RMB'000</i>	<i>Notes</i>
	<b>Audited</b>	Unaudited		
<b>CURRENT ASSETS</b>				
Amounts due from related parties	<u>618,027</u>	<u>620,027</u>	<u>(2,000)</u>	2
Total current assets	<u><b>1,358,869</b></u>	<u><b>1,360,869</b></u>	<u><b>(2,000)</b></u>	
<b>CURRENT LIABILITIES</b>				
Other payables and accruals	197,402	189,902	7,500	1
Amounts due to related parties	<u>2,061,651</u>	<u>2,063,651</u>	<u>(2,000)</u>	2,3
Total current liabilities	<u><b>3,083,102</b></u>	<u><b>3,077,602</b></u>	<u><b>5,500</b></u>	
<b>NET CURRENT LIABILITIES</b>	<b>(1,724,233)</b>	<b>(1,716,733)</b>	<b>(7,500)</b>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
Net assets	<u><b>860,856</b></u>	<u><b>868,356</b></u>	<u><b>(7,500)</b></u>	
<b>EQUITY</b>				
Equity attributable to owners of the parent				
Share capital	26,051	26,051	—	
Reserves	<u>837,560</u>	<u>845,060</u>	<u>(7,500)</u>	
	<b>863,611</b>	<b>871,111</b>	<b>(7,500)</b>	
Non-controlling interests	<u>(2,755)</u>	<u>(2,755)</u>	<u>—</u>	
Total equity	<u><b>860,856</b></u>	<u><b>868,356</b></u>	<u><b>(7,500)</b></u>	

Notes:

1. By the issue date of this annual results announcement, the transaction in relation to the disposal of 100% of the sponsor's interest of Primary School Attached to Chengdu Foreign Languages School has not been approved by the local government. Per the School Sponsor's Interest Transfer Agreement, the Proposed Disposal has not been completed. As a result, Primary School Attached to Chengdu Foreign Languages School were deconsolidated from the consolidated financial statements of the Company in the same way as all the other schools providing compulsory education services since 31 August 2021. Accordingly, the consideration of RMB7.5 million collected from the third party temporarily was reclassified to other payables. For more detail about the proposal disposal, please refer to the announcement dated 30 July 2021.
2. Amounting to approximately RMB2.0 million of Amounts due from related parties is offset against Amounts due to related parties with regard to the identical nature of account and counterparty.
3. The Company owed the Affected Entities RMB2,025 million as at 31 August 2021. The borrowings from the Affected Entities was mainly due to the funding need in construction, renovation and expansion of Chengdu Institute Sichuan International Studies University (the "**University**"), which primarily includes the expenditure on constructing properties, purchase of land and properties as well as equipment. The University obtained interest-free borrowings from the Affected Entities since 2013 for several times to cover expenditure incurred.

Save as disclosed in this announcement and the corresponding adjustments in total, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Annual Results Announcement had no material changes.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2021**

		For the eight months ended 31 August 2021 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i> (Restated)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>253,546</b>	372,696
Cost of sales		<u>(254,202)</u>	<u>(263,262)</u>
Gross profit/(loss)		<b>(656)</b>	109,434
Other income and gains	3	<b>23,218</b>	77,005
Research and development costs	8	<b>(13,551)</b>	(20,222)
Selling and distribution expenses		<b>(6,707)</b>	(15,255)
Administrative expenses		<b>(76,180)</b>	(219,814)
Other expenses		<b>(53,872)</b>	(13,428)
Finance costs	4	<b>(46,873)</b>	(46,250)
Share of losses of associates		<u>(2,326)</u>	<u>(2,597)</u>
<b>LOSS BEFORE TAX</b>	8	<b>(176,947)</b>	(131,127)
Income tax expense	5	<u>(21,908)</u>	<u>(9,715)</u>
<b>LOSS FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS</b>		<u><b>(198,855)</b></u>	<u>(140,842)</u>
<b>DISCONTINUED OPERATION</b>			
Profit/(loss) for the period/year from a discontinued operation	9	<u>(1,622,050)</u>	<u>360,645</u>
<b>PROFIT/(LOSS) FOR THE PERIOD/YEAR</b>		<u><b>(1,820,905)</b></u>	<u>219,803</u>
Attributable to:			
Owners of the parent	7	<b>(1,797,535)</b>	225,471
Non-controlling interests		<u><b>(23,370)</b></u>	<u>(5,668)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2021**

	<b>For the eight months ended 31 August 2021 RMB'000</b>	<b>For the year ended 31 December 2020 RMB'000 (Restated)</b>
<b>PROFIT/(LOSS) FOR THE PERIOD/YEAR</b>	<b><u>(1,820,905)</u></b>	<b><u>219,803</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>26</u>	<u>39</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>26</u>	<u>39</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR, NET OF TAX</b>	<b><u>26</u></b>	<b><u>39</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b><u>(1,820,879)</u></b>	<b><u>219,842</u></b>
Attributable to:		
Owners of the parent	<u>(1,797,524)</u>	225,491
Non-controlling interests	<u>(23,355)</u>	<u>(5,649)</u>
	<b><u>(1,820,879)</u></b>	<b><u>219,842</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2021**

		As at 31 August 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,360,938</b>	4,509,076
Right-of-use assets	12	<b>642,272</b>	1,208,263
Other intangible assets		<b>138,643</b>	154,475
Investments in associates		—	44,539
Goodwill		<b>104,298</b>	104,298
Other non-current assets		<b>313,754</b>	692,113
Total non-current assets		<b><u>3,559,905</u></b>	<u>6,712,764</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>33</b>	297
Trade receivables	13	<b>1,300</b>	—
Prepayments, other receivables and other assets		<b>107,774</b>	82,613
Amounts due from related parties		<b>618,027</b>	17,241
Cash and cash equivalents		<b>631,735</b>	773,832
Total current assets		<b><u>1,358,869</u></b>	<u>873,983</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	14	<b>3,396</b>	80,055
Other payables and accruals		<b>197,402</b>	224,015
Financial guarantee contracts		<b>5,326</b>	—
Interest-bearing bank and other borrowings	11	<b>365,292</b>	1,690,467
Leases liabilities	12	<b>1,230</b>	19,268
Tax payable		<b>24,551</b>	32,147
Contract liabilities	10	<b>424,140</b>	1,058,302
Deferred income		<b>114</b>	3,285
Amounts due to related parties		<b>2,061,651</b>	21,659
Total current liabilities		<b><u>3,083,102</u></b>	<u>3,129,198</u>
<b>NET CURRENT LIABILITIES</b>		<b><u>(1,724,233)</u></b>	<u>(2,255,215)</u>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b><u>1,835,672</u></b>	<u>4,457,549</u>

		<b>31 August</b>	31 December
	Notes	<b>2021</b>	2020
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b><u>1,835,672</u></b>	<u>4,457,549</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	11	<b>969,068</b>	1,460,341
Lease liabilities	12	—	215,893
Deferred income		<b>1,372</b>	5,201
Contract liabilities	10	<b><u>4,376</u></b>	<u>4,060</u>
Total non-current liabilities		<b><u>974,816</u></b>	<u>1,685,495</u>
Net assets		<b><u><u>860,856</u></u></b>	<u><u>2,772,054</u></u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>26,051</b>	26,051
Reserves		<b><u>837,560</u></b>	<u>2,699,600</u>
		<b>863,611</b>	2,725,651
Non-controlling interests		<b><u>(2,755)</u></b>	<u>46,403</u>
Total equity		<b><u><u>860,856</u></u></b>	<u><u>2,772,054</u></u>

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

### **1. GENERAL INFORMATION, BASIS OF PREPARATION AND PRESENTATION**

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

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing private education services in the People’s Republic of China (the “PRC”).

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

## **Going concern**

The Group had net current liabilities of approximately RMB1,724,233,000 as at 31 August 2021. Included in the Group's current liabilities, the Group had interest-bearing bank and other borrowings of RMB365,292,000 repayable within twelve months, and payable of RMB2,025,898,000 to related parties which arose from the deconsolidation due to the 2021 Implementation Rules.

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

On January 5, 2022, the Group entered into agreements with the Affected Entities and agreed that the Group can extend to repay the payables to the Affected Entities as at 31 August 2021 in 5 years.

The Group has successfully renewed and obtained new bank and other borrowings in total of RMB472,000,000 subsequent to the reporting date.

Based on the foregoing, as well as after taking into account the forecasted cash flow from continuing operations after deconsolidation, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from the end of the Reporting Period. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

## **Change of financial year-end date**

During the current financial period, the financial year-end date of the Company was changed from 31 December to 31 August. The change of financial year-end date of the Company from 31 December to 31 August will achieve consistency between the financial year-end date of the Group and the academic year-end date of the schools operated by the Group in the PRC, which ends in August each year. This will facilitate the efficient preparation of the consolidated accounts of the Group, and enable the Company to better utilise its resources and facilitate better planning and operational processes of the Company. Accordingly, the consolidated financial statements for the current period cover an eight months' period from 1 January 2021 to 31 August 2021. The details of the change of financial year-end date are set out in the announcement of the Company dated 30 July 2021.

As a result of the change of financial year-end date, the consolidated financial statements presented for the current period cover a period of eight months from 1 January 2021 to 31 August 2021. The corresponding comparative amounts shown for the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes to the financial statements cover a twelve-month period from 1 January 2020 to 31 December 2020, and therefore may not be entirely comparable with the amounts shown for the current period.

## **2. ADOPTION OF NEW AND REVISED IFRSs**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

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

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

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. 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.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 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 consolidated financial statements.

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IFRS 17	<i>Insurance Contracts</i> <sup>2,5</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2,4</sup>
Amendments to IAS 1	<i>Definition of Accounting Policies</i> <sup>2</sup>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> <sup>1</sup>
Amendments to IAS 8	<i>Disclosure of Accounting Estimates</i> <sup>2</sup>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 <sup>1</sup>

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

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

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</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>5</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 2022 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

### 3. REVENUE, OTHER INCOME AND GAINS

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

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

		<b>For the eight months ended 31 August 2021 RMB'000</b>	For the year ended 31 December 2020 RMB'000 (Restated)
Tuition fees		<b>205,600</b>	322,092
School canteen operations fees (Note (i))		<b>14,489</b>	15,700
Boarding fees		<b>16,563</b>	17,276
Non-formal tutoring tuition fees		<b>10,032</b>	11,686
Consultation services fees for overseas studies*		<b>5,056</b>	1,037
Educational management and consultation service fees (Note (ii))		<b>1,806</b>	4,905
Total		<b>253,546</b>	372,696
Other income and gains			
Bank interest income	8	<b>240</b>	1,413
Other interest income (Note (iii))	8	<b>1,893</b>	31,835
Net foreign exchange gains	8	<b>—</b>	4,065
Government grants			
– related to assets		<b>353</b>	526
– related to income		<b>6,780</b>	1,936
Early termination of lease arrangement		<b>2,382</b>	837
Fair value gain of an investment in an associate (Note (iv))	8	<b>—</b>	31,800
Gain on disposal of subsidiaries	8	<b>—</b>	1,444
Others		<b>11,570</b>	3,149
		<b>23,218</b>	77,005

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

*Notes:*

- (i) The operation of school canteens has been consolidated since 2019.
- (ii) The amount represented the income derived primarily from educational management and consultancy service provided to certain unrelated K-12 schools or kindergartens.
- (iii) Other interest income recorded in 2020 is generated from third-party borrowings.
- (iv) The amount mainly represented gain generated from revaluing the 20% sponsor's interests of Gaoxin Campus immediately before the acquisition by the Company.

#### 4. FINANCE COSTS

	<b>For the eight months ended 31 August 2021 RMB'000</b>	For the year ended 31 December 2020 RMB'000 (Restated)
Interest on bank and other borrowings	<b>53,874</b>	68,845
Interest on lease liabilities	<b>32</b>	85
Less: interest capitalised	<b>(7,033)</b>	(22,680)
	<b><u>46,873</u></b>	<u>46,250</u>

## 5. INCOME TAX

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

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

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

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns and not-for-profit private schools are eligible to enjoy the same preferential tax treatments as public schools. The preferential tax treatment policies applicable to private schools either requiring reasonable returns are to be separately formulated by the relevant authorities under the State Council. Based on the historical tax returns filed to the relevant tax authorities and the confirmations obtained previously from the local tax bureaus and local offices of the State Administration of Taxation, except for the kindergarten and high schools registered as for-profit private schools, certain schools within the Group were exempted from corporate income tax for the eight months ended 31 August 2021 and the year ended 31 December 2020.

In 2021, Tibet Huatai Education Management Consulting Co., Ltd. (“Tibet Huatai”) was subject to the PRC income tax at an original tax rate of 9%.

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

	<b>For the eight months ended 31 August 2021 RMB'000</b>	For the year ended 31 December 2020 RMB'000 (Restated)
Current — PRC		
Total tax charge for the period/year from continuing operations	<b>21,908</b>	9,715
Total tax charge for the period/year from discontinued operations	<u>17</u>	<u>83</u>
	<b><u>21,925</u></b>	<b><u>9,798</u></b>

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

## 6. DIVIDENDS

A final dividend of HK\$0.025 per share in respect of the year ended 31 December 2020 was paid to the shareholders of the Company.

An interim dividend of HK\$0.019 per share in respect of the six months ended 30 June 2021 was paid to the shareholders of the Company.

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

## 7. (LOSS)/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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,088,761,000 (2020: 3,088,761,000) in issue during the Reporting Period.

There were no potentially dilutive ordinary shares in issue during the eight months ended 31 August 2021 and the year ended 31 December 2020, and therefore the diluted earnings per share amounts were equivalent to the basic earnings per share amounts.

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

	<b>For the eight months ended 31 August 2021</b>	For the year ended 31 December 2020
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent (RMB'000)	<u>(1,797,535)</u>	<u>225,471</u>
Shares		
Weighted average number of ordinary shares in issue	<u><b>3,088,761,000</b></u>	<u>3,088,761,000</u>
Basic and diluted (loss)/earnings per share (expressed in RMB per share)	<u><b>(0.58)</b></u>	<u>0.07</u>

## 8. LOSS BEFORE TAX

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

	Notes	<b>For the eight months ended 31 August 2021 RMB'000</b>	For the year ended 31 December 2020 RMB'000 (Restated)
Cost of services provided*		<b>68,479</b>	60,748
Research and development costs**		<b>13,551</b>	20,222
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other allowances		<b>131,194</b>	140,670
Pension scheme contributions(defined contribution scheme)		<b>11,867</b>	11,644
One-off settlement payment arising for converting the University from independent college to a private higher education institution***		—	125,000
Depreciation of property, plant and equipment		<b>57,849</b>	74,665
Amortisation of other intangible assets		<b>15,047</b>	8,108
Depreciation of right-of-use assets		<b>27,023</b>	21,196
Impairment of investment in an associate****		<b>43,430</b>	11,958
Impairment of financial assets included in prepayments, other receivables and other assets		<b>17</b>	765
Lease payments not included in the measurement of lease liabilities		<b>10,270</b>	7,465
Auditor's remuneration			
– audit service		<b>4,080</b>	3,002
– non-audit service		<b>224</b>	138
Bank interest income	3	<b>(240)</b>	(1,413)
Other interest income	3	<b>(1,893)</b>	(31,835)
Foreign exchange difference, net	3	<b>379</b>	(4,065)
Fair value gain of an investment in an associate	3	—	(31,800)
Gain on disposal of subsidiaries	3	—	(1,444)
Loss on disposal of items of property, plant and equipment		<b>8,873</b>	—

- \* *Cost of services provided represents “Cost of sales” in the consolidated statement of profit or loss excluding research and development costs, employee benefit expense, depreciation of property, plant and equipment, amortisation of other intangible assets, and depreciation of right-of- use assets.*
- \*\* *Research and development costs for the year are disclosed as a stand-alone item in the consolidated statement of profit or loss instead of included in “Cost of sales”.*
- \*\*\* *On 27 July 2020, Sichuan International Studies University (四川外國語大學(“SISU”)) and Sichuan Derui entered into a conversion agreement, and a supplemental agreement with the Group (together, the “Conversion Agreements”), to end their cooperation and facilitate the transition of Chengdu Institute Sichuan International Studies University (the “University”) from an independent college to a private higher education institution. Pursuant to the terms of the Conversion Agreements, the Group had paid a one-off settlement payment of RMB125 million to SISU for ending the cooperation.*
- \*\*\*\* *Impairment of investment in an associate of RMB43 million was due to an associate named Beijing Oriental Babycare Consulting Co., Ltd. (“Oriental Babycare”) of the Group in Beijing who provides early education (0-3 years old) and day care services. The business of Oriental Babycare was significantly disrupted by the COVID-19 pandemic. The impairment is not supported by valuation. However, we recognised it as impairment after the evaluation of our management. Oriental Babycare made losses for consecutive years and has net deficit of approximately RMB42.1 million as at 31 August 2021. Moreover, Oriental Babycare did not have sufficient cash to support daily operation and to repay the debt. All shareholders of Oriental Babycare have agreed not to provide any amount of capital increase to Oriental Babycare.*

## 9. DISCONTINUED OPERATION

- (a) Income statement for the discontinued operation for the eight months ended 31 August 2021

	<b>Eight months ended 31 August 2021</b>
Note	<b>RMB'000</b>
<b>REVENUE</b>	<b>913,734</b>
Cost of sales	<u>(786,962)</u>
<b>Gross profit</b>	<b>126,772</b>
Other income and gains	<b>30,241</b>
Other expenses	<b>(19,122)</b>
Selling and distribution expenses	<b>(3,628)</b>
Administrative expenses	<b>(77,520)</b>
Finance costs	<b>(96,869)</b>
<b>(Loss)/profit before tax</b>	<b>(40,126)</b>
Income tax expense	<b>(17)</b>
<b>Loss on deconsolidation of the Affected Entities</b>	<b>(1,581,907)</b>
<b>(Loss)/profit from discontinued operations</b>	<b><u>(1,622,050)</u></b>

- (b) The assets and liabilities of the deconsolidation of those PRC Operating Entities providing compulsory education services.

	<b>31 August 2021</b>
	<b><i>RMB'000</i></b>
Net assets disposed of:	
Property, plant and equipment	<b>2,378,497</b>
Right-of-use assets	<b>487,361</b>
Other intangible assets	<b>919</b>
Other non-current assets	<b>326,695</b>
Inventories	<b>104</b>
Prepayments, deposits and other receivables	<b>522,030</b>
Cash and cash equivalents	<b>770,405</b>
Amounts due from related parties	<b>2,034,773</b>
Trade payable	<b>(74,882)</b>
Other payables	<b>(333,380)</b>
Interest-bearing bank and other borrowings	<b>(2,389,670)</b>
Leases liabilities	<b>(100,336)</b>
Contract liabilities	<b>(1,403,801)</b>
Deferred income	<b>(5,267)</b>
Amounts due to related parties	<b>(604,728)</b>
Tax payables	<b>(118)</b>
Non-controlling interests	<b>(32,021)</b>
	<b>1,576,581</b>
Identified financial guarantee contracts	<b>5,326</b>
Loss on deconsolidation of subsidiaries	<b><u>(1,581,907)</u></b>

## 10. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 31 August 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Tuition fees	356,829	902,171
Boarding fees	27,155	38,468
School canteen operations fees	24,499	104,472
Consultation services fees for overseas studies and non-formal tutoring tuition fees	<u>20,033</u>	<u>17,251</u>
	<u><b>428,516</b></u>	<u><b>1,062,362</b></u>

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

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

A significant decrease in the amount of contract liabilities regarding tuition fees from RMB902.2 million as at 31 December 2020 to RMB356.8 million as at 31 August 2021 was mainly because the amount of contract liabilities regarding tuition fees received by the Affected Entities was no more included in the balance of contract liabilities regarding tuition fees of the Group as at 31 August 2021 as a result of the deconsolidation of the assets and liabilities of Affected Entities from the consolidation financial statements of the Group since 31 August 2021, while contract liabilities regarding tuition fees amounted to RMB688.6 million received by the Affected Entities were included in the balance of contract liabilities of the Group as at 31 December 2020.

## 11. INTEREST – BEARING BANK AND OTHER BORROWING

		As at 31 August 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Non-current			
Secured			
Bank loans	a	497,500	651,090
Other loans (i)	a	<u>471,568</u>	<u>809,251</u>
		<u><b>969,068</b></u>	<u><b>1,460,341</b></u>
Current			
Secured			
Bank loans	a	190,000	729,000
Current portion of long term bank loans	a	43,000	690,620
Other loans (i)	a	<u>132,292</u>	<u>270,847</u>
		<u><b>365,292</b></u>	<u><b>1,690,467</b></u>

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

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

As at 31 August 2021

	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank loans – secured	4.45-6.90	2022	190,000
Current portion of long term bank loans – secured	4.80-7.00	2022	43,000
Other loans – secured	6.73-8.19	2022	<u>132,292</u>
<b>Non-current</b>			
Bank loans – secured	4.80-7.00	2033	497,500
Other loans – secured	6.73-8.19	2024	<u>471,568</u>
			<b><u><u>1,334,360</u></u></b>

As at 31 December 2020

	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Bank loans – secured	5.22-5.93	2021	729,000
Current portion of long term bank loans – secured	5.64-7.13	2021	690,620
Other loans – secured	4.53-7.90	2021	<u>270,847</u>
<b>Non-current</b>			
Bank loans – secured	4.45-7.00	2033	651,090
Other loans – secured	4.53-7.90	2025	<u>809,251</u>
			<b><u><u>3,150,808</u></u></b>

## 12. LEASE

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

	As at 31 August 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Right-of-use assets		
Prepaid land lease payments (i)	608,473	887,984
Buildings and other premises	<u>33,799</u>	<u>320,279</u>
	<u><b>642,272</b></u>	<u><b>1,208,263</b></u>
	As at 31 August 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Lease liabilities		
Current	1,230	19,268
Non-current	<u>—</u>	<u>215,893</u>
	<u><b>1,230</b></u>	<u><b>235,161</b></u>

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

**(b) Amount recognised in the consolidated statement of comprehensive income**

	<b>For the eight months ended 31 August 2021 RMB'000</b>
Depreciation charge of right-of-use assets	
– Buildings and other premises	37,735
– Prepaid land lease payments	<u>23,736</u>
Interest on lease liabilities	<u>7,880</u>

For the eight months ended 31 August 2021, the cash outflows from financing activities for leases were RMB105,613,000.

**13. TRADE RECEIVABLES**

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

	<b>As at 31 August 2021 RMB'000</b>	<b>As at 31 August 2020 RMB'000</b>
Within half year	<u>1,300</u>	<u>—</u>

#### 14. TRADE PAYABLES

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

	<b>As at</b>	<b>As at</b>
	<b>31 August</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 1 year	<b><u>3,396</u></b>	<b><u>80,055</u></b>

Trade payables of RMB3,396,000 (31 December 2020: RMB80,055,000) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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

#### *Discontinued operation - compulsory education*

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

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

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

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

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

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

### ***Comparative information***

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

As at 31 August 2021, the Group operated 9 high schools, universities and after-class tutoring centers in five cities in Sichuan Province, China, Hong Kong SAR and Irvine, the United States. Those 9 schools are categorized based on the table disclosed on page 47 of this announcement. Through these schools, the Group primarily offer formal education with comprehensive education programs in high-school and higher education.

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

Beginning from 1 September 2021, two self-owned for-profit high-schools in Chengdu and Deyang have already commenced operation. One public K-12 school and three privately owned kindergartens will be added into the Group's network, which the Group will provide educational management and consultation service.

There is a total of five schools providing both compulsory and non-compulsory school education services. Since the Company's loss of control, all of these schools had been preparing the necessary documents in order to commence the process of the legal separation into two legal entities: a not-for-profit school providing compulsory school education services and a for-profit high school providing non-compulsory school education services. As at the date of this announcement, two of these schools already commenced the process of legal separation. These schools will be consolidated into the Group since the new legal entity providing non-compulsory school education services only was established. Prior to the separation, these schools are not consolidated since 31 August 2021.

## **High schools**

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

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

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

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

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

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

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

For academic year 2021-2022, the total student enrolment of the Group’s self-operated schools was 22,967, with 4,449 students enrolled in the high-schools, 18,518 students enrolled in the University and 7,432 students enrolled in our network schools.

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

During the twelve months ended 31 August 2021, the Group has witnessed growth of the schools operated by the Group in terms of revenue. Revenue increased from RMB325.4 million for the year ended 31 August 2020 to RMB483.0 million for the year ended 31 August 2021. The Group generated its revenue from (i) student fees and (ii) management and consultation services provided to an associate school and three government owned public 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:

	<b>For the twelve months ended 31 August 2021 RMB'000 (Unaudited)</b>	<b>For the twelve months ended 31 August 2020 RMB'000 (Unaudited)</b>	<b>Change RMB'000</b>	<b>Percentage Change</b>
Tuition fees	<b>397,794</b>	294,289	<b>+103,505</b>	<b>+35.2%</b>
Boarding fees	<b>25,672</b>	15,536	<b>+10,136</b>	<b>+65.2%</b>
School canteen operations fees	<b>24,439</b>	8,920	<b>+15,519</b>	<b>+174.0%</b>
Educational management and consultation service fees	<b>9,724</b>	3,271	<b>+6,453</b>	<b>+197.3%</b>
Non-formal tutoring tuition fees	<b>17,966</b>	254	<b>+17,712</b>	<b>+6,973.2%</b>
Consultation services fees for overseas studies	<b>4,695</b>	2,935	<b>+1,760</b>	<b>+60.0%</b>
Others	<b>2,671</b>	166	<b>+2,505</b>	<b>+1,509.4%</b>
	<b><u>482,961</u></b>	<b><u>325,371</u></b>	<b><u>+157,590</u></b>	<b><u>+48.4%</u></b>

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

	<b>For the twelve months ended 31 August 2021 RMB'000 (Unaudited)</b>	<b>For the twelve months ended 31 August 2020 RMB'000 (Unaudited)</b>	<b>Change RMB'000</b>	<b>Percentage Change</b>
High school	<b>133,941</b>	55,587	+78,354	+141.0%
University	<b>248,922</b>	227,812	+21,110	+9.3%
Kindergarten	<b>14,931</b>	10,890	+4,041	+37.1%
Total tuition fees	<b><u>397,794</u></b>	<u>294,289</u>	<u>+103,505</u>	+35.2%

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

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

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

### ***Student Enrollment***

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

	<b>2021/2022</b>	2020/2021	2019/2020
High school students – domestic program	<b>3,954</b>	2,943	2,697
High school students – international program	<b>495</b>	428	392
Kindergarten students	—	706	517
University students	<b>18,518</b>	17,557	16,888
Total number of students	<b><u>22,967</u></b>	<u>21,634</u>	<u>20,494</u>

### ***Teachers***

	<b>2021-2022</b>	2020-2021
Total number of teachers	<b><u>1,177</u></b>	<u>1,046</u>

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

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

### **Future Development**

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

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

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

The Group has already opened one high school in Deyang City and one high school in Chengdu City. As at the date of this announcement, it is expected that there will be a total of six new for-profit high schools that will be opened beyond 2022. The following sets forth a summary of the estimated student capacity of such new high schools that will be opened beyond 2022:

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

Other than the above schools, there is a total of five schools (out of the 17 schools that were deconsolidated) which the Company lost control since 31 August 2021 and such schools are providing both compulsory education and high school education (i.e. non-compulsory education). Since the Company's loss of control, all of these schools had been preparing the necessary documents in order to commence the process of the legal separation into a not-for-profit school and a for-profit school, amongst which two schools already commenced the process of legal separation as at the date of this announcement. For the avoidance of doubt, given there remains uncertainty on the process of the legal separation, none of these schools are included in the above table. As at the date of this announcement, the Company has no other plan in relation to the other 12 schools that were deconsolidated, but will continuously assess if there may be any business opportunity with the Group.

The net assets belonging to the for-profit high schools to be separated out of the integrated schools that provides both compulsory and non-compulsory education services are based on the sum of actual historical earnings of high school business unit prior to the legal separation and the paid-in-capital allocated out of the integrated schools. The result of such allocation is still subject to government's examination as part of the legal separation process, which is being undertaken by the government for the first time. As such, there is no assurance about the timing and actual results of the legal separation. Based on the Company's preliminary assessment, all those for-profit high schools to be separated from the integrated schools will be in a net assets position and in any event, it is not expected that the consolidation of these for-profit high schools will result in consolidated net liabilities position for the Group.

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

***School Utilisation***

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

	<b>2021/2022</b>	2020/2021
Total number of students enrolled	<b>22,967</b>	21,634
Total student capacity	<b>52,830</b>	52,830
Overall utilisation rate	<b>43.5%</b>	41.0%

## ***Tuition Fee***

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

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

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

<b>Category of schools</b>	<b>Current tuition fee standard</b>
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 RMB7.6 million in 2020/2021 school year.

*(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 31 August 2021, the Group provided education management and consultation services to totally five schools including two kindergartens, two K-9 schools and one high school.

The Group began to provide aforementioned services to one more K-9 school and three more kindergartens since September 2021 and two K-12 schools since September 2022.

*b. One stop comprehensive education program*

The Group has been cooperating with certain commercial property owners to establish one-stop comprehensive education program in commercial complex with a floor area of approximately 5,000 to 10,000 square meters where various types of tailor-made education services will be offered to both the parents and their children simultaneously. In addition, it provides curriculum and management output services for institutions and individuals who intend to invest in the education program. The high-quality education courses independently developed and iterated by the Group offered among others, Chinese traditional culture, STEAM (Science, Technology, Engineer, Arts and Mathematics), and sports. The daily management of enrollment, recruitment, teaching and research of all educational projects implements the operation mode of unified scheduling of the complex but relatively independently operation of sub-projects. The Group recorded revenue of RMB18 million in 2020/2021 academic year.

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

Although the Affected Entities have been deconsolidated as at 31 August 2021, the Group is still seeking business opportunity to providing non-educational student's local life service such as accommodation, canteen, after-class caring to the students enrolled in schools within the Affected Entities.

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

Category of schools	Self-owned schools	Schools under
	established as at 31 August 2021	education management service established as at 31 August 2021
High school	5	1
Kindergarten	0	2
University (China)	1	0
University (United States)	1	0
Schools providing non-formal education services	2	0
K9/K12 schools	0	2
	<u>9</u>	<u>5</u>

Category of schools	Self-owned schools	Schools under
	established 2021/2022	education management service established 2021/2022
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>

Beginning from 1 September 2021, two self-owned for-profit high-schools in Chengdu and Deyang will commence operation and one public K-12 school and one private K-12 school and three privately owned kindergartens will be added into the Group's network under educational management and consultation service arrangements.

### ***Risk Management***

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

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

### ***Interest Rate Risk***

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

### *Liquidity Risk*

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

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

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

### ***Environment, Health and Safety***

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

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

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

### **Financial Review**

After the change of financial year end date, the whole year of the new financial year will be from 1 September to 31 August next year. Due to the periodic nature of formal educational services ran by the Group, no tuition fees are generated in the spring and summer holidays in February, July and August each year, so the data for the eight-month period from 1 January 2021 to 31 August 2021 and for the twelve-month period from 1 January 2020 to 31 December 2020 are not comparable, and without predictability from an analysis of obvious trends. For completeness, the Group sets out the comparison between the eight months ended 31 August 2021 and the twelve months ended 31 December 2020 below. Further, in order to present the operating positions of the Group for the new financial year clearly, the Group voluntarily also presents the unaudited financial information for the twelve months commencing from 1 September 2020 to 31 August 2021 and the unaudited financial information for the twelve months commencing from 1 September 2019 to 31 August 2020 for the period-on-period comparison.

The unaudited financial information for the twelve months commencing from 1 September 2019 to 31 August 2020 and from 1 September 2020 to 31 August 2021 is set out below:

	<b>For the twelve months ended 31 August 2021 RMB'000 (Unaudited)</b>	For the twelve months ended 31 August 2020 RMB'000 (Unaudited)	<b>Change RMB'000</b>	<b>Change (percentage)</b>
Revenue	<b>482,961</b>	325,371	+157,590	+48.4%
Cost of sales	<b>(373,419)</b>	(220,856)	+152,563	+69.1%
Gross profit	<b>109,542</b>	104,515	+5,027	+4.8%
Other income and gains	<b>18,520</b>	64,771	-46,251	-71.4%
Research and development costs	<b>(13,251)</b>	(6,544)	+6,707	+102.5%
Selling and distribution expenses	<b>(9,577)</b>	(10,678)	-1,101	-10.3%
Administrative expenses	<b>(115,996)</b>	(207,196)	-91,200	-44.0%
Other expenses	<b>(47,037)</b>	(18,001)	+29,036	+161.3%
Finance costs	<b>(48,680)</b>	(33,026)	+15,654	+47.4%
Share of profits and losses of associates	<b>(2,326)</b>	(3,441)	-1,115	-32.4%
<b>LOSS BEFORE TAX</b>	<b>(108,805)</b>	(109,600)	-795	-0.7%
Income tax expense	<b>(30,463)</b>	(2,610)	+27,853	+1,067.2%
Net loss from continuing operations	<b>(139,268)</b>	(112,210)	+27,058	+24.1%

## **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION**

### **(1) Eight Months Ended 31 August 2021 Compared to Twelve Months Ended 31 December 2020**

#### ***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 respectively from an associated school and three government owned schools during the Reporting Period.

For the eight months ended 31 August 2021, revenue of the Group amounted to RMB253.5 million. This represents a decrease of RMB119.2 million or 32.0%, as compared with revenue of the Group for the twelve months ended 31 December 2020. This decrease was primarily attributable to shorter period of time under review for the Reporting Period.

#### ***Cost of Sales***

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

For the eight months ended 31 August 2021, cost of sales of the Group amounted to RMB254.2 million. This represents a decrease of RMB9.1 million or 3.4%, as compared with cost of sales of the Group for the twelve months ended 31 December 2020. This decrease was primarily attributable to the combined effect of (i) a shorter period of time under review for the Reporting Period; and (ii) the increase in staff costs, canteen operation costs, depreciation and amortization costs. The percentage of decrease in the cost of sales of the Group was less than

the percentage of decrease in the revenue of the Group, primarily due to the fact that during the eight months ended 31 August 2021, there were only five months of tuition fees received by the Group, whereas the Group incurred staff costs for the entire eight-month period.

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

For the eight months ended 31 August 2021, gross loss of the Group amounted to RMB0.7 million, with gross loss margin of 0.3%. For the twelve months ended 31 December 2021, gross profit of the Group amounted to RMB109.4 million, with gross profit margin of 29.4%. The decrease in gross profit and gross profit margin was primarily due to a shorter period of time under review for the Reporting Period.

Gross profit for the eight months ended 31 August 2021 decreased by RMB110.1 million or 100.6%, as compared with gross profit for the twelve months ended 31 December 2020, which was mainly due to (i) the decrease in revenue of RMB119.2 million or 32.0%, as compared with revenue of the Group for the twelve months ended 31 December 2020, which was mainly attributable to only five months of tuition and boarding fees recognised by the Group within the eight months ended 31 August 2021. The Group usually recognise annual tuition and boarding fees over nine months within an academic year on a straight-line basis, which exclude three months of school holidays (i.e. February, July and August). The Group recognised nine months of tuition fees for the twelve months ended 31 December 2020, which is more than the five months of tuition fees recognised for the eight months ended 31 August 2021; and (ii) cost of sales for the eight months ended 31 August 2021 decreased by RMB9.1 million or 3.4%, as compared with cost of sales of the Group for the twelve months ended 31 December 2020. The percentage of decrease in the cost of sales of the Group was less than the percentage of decrease in the revenue of the Group, primarily due to the fact that the Group incurred costs for the entire eight-months period while revenue recognised within the same period only represents five-months of the annual tuition and boarding fees.

### ***Research and Development Costs***

For the eight months ended 31 August 2021, research and development costs of the Group amounted to RMB13.6 million. This represent a decrease of RMB6.7 million or 33.1%, as compared with research and development costs of the Group for the twelve months ended 31 December 2020. This decrease was primarily attributable to a shorter period of time under review for the Reporting Period.

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

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses. This represent a decrease of RMB8.5 million or 56.0%, as compared with selling and distribution expenses of the Group for the twelve months ended 31 December 2020. This decrease was primarily attributable to a shorter period of time under review for the Reporting Period.

For the eight months ended 31 August 2021, selling and distribution expenses of the Group amounted to RMB6.7 million.

### ***Administrative Expenses***

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

For the eight months ended 31 August 2021, administrative expenses of the Group amounted to RMB76.2 million. This represent a decrease of RMB143.6 million or 65.3%, as compared with administrative expenses of the Group for the twelve months ended 31 December 2020. This decrease was primarily attributable to the payment of RMB125 million settlement fee to Sichuan International Studies University for converting the University from an independent college to a private higher education institution in 2020.

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

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

For the eight months ended 31 August 2021, other income and gains of the Group amounted to RMB23.2 million. This represent a decrease of RMB53.8 million or 69.8%, as compared with other income and gains of the Group for the twelve months ended 31 December 2020. This decrease was primarily attributable to the combined effect of (i) other interest income of RMB31.8 million recognized for the twelve months ended 31 December 2020 generated from third-party borrowings, representing a decrease of RMB29.9 million while other interest income of RMB1.9 million recognised in the Reporting Period; and (ii) fair value gain of an investment in an associate of RMB31.8 million recognized for the twelve months ended 31 December 2020 while no gain recognised for the Reporting Period.

### ***Other Expenses***

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

For the eight months ended 31 August 2021, other expenses of the Group amounted to RMB53.9 million. This represents an increase of RMB40.4 million or 301.2%, as compared with other expenses of the Group for the twelve months ended 31 December 2020. This increase was primarily attributable to RMB43 million impairment charge of investment in associate recognised for the Reporting Period.

### ***Finance Costs***

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

For the eight months ended 31 August 2021, finance costs of the Group amounted to RMB46.9 million. This represents an increase of RMB0.6 million or 1.3%, as compared with finance costs of the Group for the twelve months ended 31 December 2020. The increase was primarily attributable to the increase in bank and other borrowings.

### ***Capital Commitments***

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

	<b>31 August 2021 <i>RMB'000</i></b>	31 December 2020 <i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings, equipment	<b>183,621</b>	170,956

### ***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 113.7% as at 31 December 2020 to approximately 153.7% as at 31 August 2021, primarily due to the increase in the Group's interest-bearing bank borrowings.

### ***Contingent Liabilities***

As at 31 August 2021, the Group had no material contingent liabilities.

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

As at 31 August 2021, RMB34,800,000 (31 December 2020: RMB56,150,000) 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 31 August 2021, the Group had 1,561 employees (31 December 2020: 1,519 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 eight months ended 31 August 2021 was approximately RMB151.2 million (for the twelve months ended 31 December 2020: RMB180.0 million).

### **(2) Twelve months ended 31 August 2021 compared to twelve months ended 31 August 2020 (financial information of these two periods was unaudited)**

#### ***Revenue***

Revenue for the twelve months ended 31 August 2021 increased by RMB157.6 million, or 48.4% from RMB325.4 million for the twelve months ended 31 August 2020 to RMB483.0 million. The increase was primarily attributed to 1) the increase of RMB103.5 million, or 35.2% in revenue from tuition fees for the twelve months ended 31 August 2020 to RMB397.8 million for the twelve months ended 31 August 2021. The tuition fees of the Group received increased mainly attributable to the increase in the number of students enrolled in 2020/2021 school year, as a result of consolidation of Chengdu Foreign Language School Gaoxin Campus since September 2020; 2) the increase of RMB15.5 million, or 174.0% in revenue from school canteen services for the twelve months ended 31 August 2020 to RMB24.4 million for the twelve months ended 31 August 2021 in relation to increase in the number of students. For more information on student enrolment and school utilisation, please refer to the section headed "Business Review" above.

### ***Cost of Sales***

Cost of sales for the twelve months ended 31 August 2021 increased by RMB152.6 million, or 69.1%, compared with twelve months ended 31 August 2020. This increase was primarily attributable to:

- (1) Staff costs increased by RMB46.4 million, or 41.5%, which was attributable to (i) the increase in the number of Group's teachers; (ii) the increase in the average staff salary upon annual performance review; and (iii) the increase due to the consolidation of Chengdu Foreign Languages School Gaoxin Campus into the Group since September 2020.
- (2) Canteen operation costs increased by RMB15.5 million, or 173.5%, which was mainly due to the combined effect of 1) increase in the number of students and continuous improvements in quality of catering service in the Reporting Period; 2) the resumption of canteen in all schools after recovery from COVID-19 pandemic in FY20/21 while canteen service was disrupted in FY19/20.
- (3) Depreciation and amortisation increased by RMB33.8 million, or 46.5%, mainly as a result of: (i) the increase of amortisation of other intangible assets arising from the acquisition of Chengdu Foreign Language School Gaoxin Campus; (ii) the increase in depreciation charge from the property, plant and equipment and renovation related to our existing campuses.

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

Gross profit for the twelve months ended 31 August 2021 increased by RMB5.0 million, or 4.8%, but the margin percentage decreased 9%, compared with twelve months ended 31 August 2020, which was mainly due to: (i) increase in employee salary upon annual performance review and payment of social insurance as certain incentive related to such payment were not available; (ii) increase in canteen operation cost as continuous improvements in quality of catering service; (iii) increase in depreciation charge from the property, plant and equipment and renovation related to our existing campuses; and (iv) relatively lower gross margin of new and unfulfilled schools established in recent years.

### ***Research and Development Costs***

Research and development costs for the twelve months ended 31 August 2021 increased by RMB6.7 million, or 102.5%, compared with twelve months ended 31 August 2020, mainly as academic center carried out much more series of work such as development of school-based curriculum, dual-language immersion curriculum, proprietary pre-school courses and proprietary international integrated courses, as a result of increased new schools.

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

Selling and distribution expenses for the twelve months ended 31 August 2021 decreased by RMB1.1 million, or 10.3%, compared with twelve months ended 31 August 2020. The decrease of selling and distribution expenses was primarily due to advertising expenses incurred for student recruitment promotion for more new schools opened in 2019/2020 school year.

### ***Administrative Expenses***

Administrative expenses for the twelve months ended 31 August 2021 decreased by RMB91.2 million, or 44.0%, compared with twelve months ended 31 August 2020, primarily attributed to (i) the payment of RMB125 million settlement fee to Sichuan International Studies University for converting the University from an independent college to a private higher education institution in 2019/2020 school year; (ii) the increase of RMB3.6 million as a result of consolidation of Chengdu Foreign Language School Gaoxin Campus since September 2020; (iii) the increase of RMB5.3 million in social insurance expenses as there was no reduction or waiver of social insurance contributions in China.

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

Other income and gains for the twelve months ended 31 August 2021 decreased by RMB46.3 million, or 71.4% compared with twelve months ended 31 August 2020. Mainly because recognition of RMB31.8 million gain in relation to revaluing investment in Chengdu Foreign Language School Gaoxin Campus prior to the acquisition in the twelve months ended 31 August 2020.

### ***Other Expenses***

Other expenses for the twelve months ended 31 August 2021 increased by RMB29.0 million, or 161.3% compared with twelve months ended 31 August 2020. The amount recorded for the twelve months ended 31 August 2021 included RMB43 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 for the twelve months ended 31 August 2021 increased by RMB15.7 million, or 47.4%, compared with twelve months ended 31 August 2020, mainly attributable to the increase in bank and other borrowings.

## **EVENTS AFTER THE REPORTING PERIOD**

On 5 January 2022, the Group and the schools providing compulsory education ratified the loan arrangement pursuant to which the payables to the schools providing compulsory education were unsecured, interest free and repayable without fixed repayment schedule (the “Repayment Agreement”). Part of such loans, being an amount of RMB433.6 million, had been repaid prior to such loan arrangement being ratified. Below set forth a summary of the salient terms of the Repayment Agreement:

- Principal: the outstanding aggregate amount is RMB1,628 million
- Interest: no-interest bearing
- Use of borrowings: to fund daily operation of the Group
- Term: five years, from 1 January 2022
- Repayment: early repayment permitted upon mutual agreement
- Default: the Group to pay annualized interest rate of 12% when the overdue repayments occur
- Governing law: PRC law
- Dispute resolution: court where the plaintiff is located

According to the Repayment Agreement, the Group is permitted to make early repayment as long as the Group and the Affected Entities reach mutual agreement. Considering such arrangement under the Repayment Agreement and the fact that there are outstanding financial guarantees provided by the Group, the fact that the Affected Entities are in need of funds to repay their loans due, for the Affected Entities which may be triggered in case of any loan default by the Affected Entities, the Group partially settled (in an amount of RMB433.6 million) and plans to gradually settle the payables to the Affected Entities over time within the five-year term when the Group

has funds to do so. The aggregate amount of outstanding financial guarantees issued to banks in respect of banking loans granted to the Affected Entities that the Group could be required to pay if the guarantees were called upon in entirety amounted to RMB1,467,080,000. In addition, the Group has guaranteed banking facilities amounted to RMB100,000,000 not utilised by the Affected Entities. The fair value of financial guarantee contracts upon initial recognition at the date the Group lost control of the Affected Entities at 31 August 2021 is RMB5,326,000.

Our PRC Legal Advisor is of the opinion that the Repayment Agreement does not violate relevant PRC laws, rules and regulations, considering that (i) the Affected Entities lent surplus funds which did not affect their own normal operation and the loans are interest-free which is permitted under the Law of the People's Republic of China on the Promotion of Privately-run Schools (《中華人民共和國民辦教育促進法》); and (ii) the principle of non-retroactivity provides the legal basis for the Repayment Agreement not to be considered as violation of the 2021 Implementation Rules given that the Repayment Agreement was entered before the effectiveness of 2021 Implementation Rules.

The Company has adopted a share award scheme (the "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 (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 39,342,000 shares on the Hong Kong Stock Exchange for a settlement costs of HK\$ 20,020,878.40 for the purpose of the Scheme during the period from 22 October 2021 to 26 November 2021. No shares were granted to any eligible participants in the Scheme by the date of this announcement.

## **FINAL DIVIDEND**

The Board did not recommend the payment of final dividend for eight months ended 31 August 2021 (year ended 31 December 2020: HK\$0.025 per share).

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

The register of members of the of the Company will be closed from 14 June 2022 to 17 June 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting of the Company (the “AGM”) to be held on 17 June 2022, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 13 June 2022.

## **CORPORATE GOVERNANCE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **REGULATORY UPDATES**

### **The impact of the 2021 Implementation Rules**

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

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

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Board and external auditor, has reviewed the Group’s annual results announcement and the consolidated financial statements for the eight months ended 31 August 2021.

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

The financial information set out in this announcement does not constitute the Group’s audited consolidated financial statements for the eight months ended 31 August 2021, but represents an extract from those financial statements which have been agreed with Ernst & Young, the auditor of the Company. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the annual results announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.virscendeducation.com](http://www.virscendeducation.com)), and the 2021 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 30 November 2021, pending the publication of the 2021 Annual Results and remains suspended until the Company fulfills the Resumption Guidance. Application has been made by the Company to the Stock Exchange for the resumption of the trading in the Shares with effect from 9:00 a.m. on 10 May 2022.

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

Hong Kong, 6 May 2022

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