



VIRSCEND EDUCATION COMPANY LIMITED

成實外教育有限公司

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

Stock Code: 1565

A Profound Chinese Foundation,  
A Panoramic Global Outlook,  
An Innovative Future



2021 | ANNUAL REPORT



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## COMPANY PROFILE

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

We currently operate seven schools in four cities in Sichuan Province, namely Chengdu City, Ya'an City, Yi'bin City and Dazhou City. Through these schools, we offer formal education with comprehensive education programs. We are one of the few private education companies in Southwest China that offer high school and university education. The Group aspires to provide a pathway to first-tier universities in China and reputable colleges and universities abroad for interested students. For Gaokao administered in 2021 (the "**2021 Gaokao**"), approximately 90.4% of the Group's graduating high school students (from the two flagship high-schools) namely, Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School who participated in the 2021 Gaokao achieved scores that allowed them to apply for and be accepted by first-tier universities in China. 27 of graduating high school students were admitted into Peking University and Tsinghua University (2020: 54) and 74 of the Group's graduating high school students were recommended for admission into first-tier universities without taking the Gaokao (2020: 87).

In 2021, one high school graduate was admitted into Brown University, Ivy League Schools in the United States while two high school graduates was admitted into Cambridge University and University of Oxford in the United Kingdom, respectively. In 2020 and 2021, 70 and 132 of students were admitted into the top 100 universities in the 2021 QS World University Rankings respectively.

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

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

## BOARD OF DIRECTORS

### Executive Directors

Ms. Wang Xiaoying (*Chairwoman of the Board*)  
Mr. Yan Yude (*Chief Executive Officer*)  
Mr. Ye Jiayu  
Mr. Deng Bangkai

### Independent Non-executive Directors

Mr. Sit Chiu Wing  
Mr. Chan Kim Sun  
Mr. Wen Ruizheng

## AUDIT COMMITTEE

Mr. Chan Kim Sun (*Chairman*)  
Mr. Sit Chiu Wing  
Mr. Wen Ruizheng

## REMUNERATION COMMITTEE

Mr. Sit Chiu Wing (*Chairman*)  
Ms. Wang Xiaoying  
Mr. Wen Ruizheng

## NOMINATION COMMITTEE

Mr. Sit Chiu Wing (*Chairman*)  
Mr. Yan Yude  
Mr. Wen Ruizheng

## AUTHORISED REPRESENTATIVES

Ms. Wang Xiaoying  
Mr. Deng Bangkai

## COMPANY SECRETARY

Ms. Lau Jeanie

## LEGAL ADVISORS

### *As to Hong Kong law:*

Morgan, Lewis & Bockius  
Suites 1902-09, 19/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### *As to Cayman Islands law:*

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## AUDITOR

Ernst & Young  
Certified Public Accountant  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## CORPORATE INFORMATION

### REGISTERED OFFICE

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

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

No. 23 He Xin Lu  
Pidu District  
Chengdu  
The PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG SHARE REGISTRAR

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

### PRINCIPAL BANK

Industrial and Commercial Bank of China

### INVESTOR RELATIONS

Mr. Chen Keyu  
Investor Relations Manager Email:  
ir@virscendeducation.com  
Address: No. 23 He Xin Lu, Pidu District,  
Chengdu, the PRC

### COMPANY'S WEBSITE

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

### STOCK CODE

1565

### DATE OF LISTING

15 January 2016

# FINANCIAL HIGHLIGHTS



A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from published audited financial statements, is set out below:

## FIVE YEARS COMPARISON OF KEY FINANCIAL FIGURES

<b>Result of operation</b>					
	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	<b>For the eight months ended 31 August 2021 RMB'000</b>
Revenue	952,767	1,167,954	1,493,032	372,696	<b>253,546</b>
Gross profit/(loss)	454,065	501,274	596,722	109,434	<b>(656)</b>
Profit/(loss) for the year/period	314,865	363,161	408,055	(140,842)	<b>(198,855)</b>
Adjusted net profit/(loss) (note)	339,624	355,875	420,201	(10,802)	<b>(107,051)</b>
Adjusted net profit/(loss) attributable to owners of the parent (note)	306,374	356,371	409,286	406	<b>(102,908)</b>
Basic earning per share (RMB)	0.10	0.12	0.13	0.07	<b>(0.58)</b>

*Note:* The adjustment represented 1) exchange gains or loss, 2) one-off settlement payment arising from converting the University from independent college to a private higher education institution, and 3) amortization of intangible assets arising from the acquisition of school.

<b>Financial ratio</b>					
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the twelve months ended 31 December 2020	<b>For the eight months ended 31 August 2021</b>
Gross profit/(loss) margin (%)	47.7%	42.9%	40.0%	29.4%	<b>-0.3%</b>
Net profit/(loss) margin (%)	33.0%	31.1%	27.3%	-37.8%	<b>-78.4%</b>
Adjusted net profit/(loss) margin (%)	35.6%	30.5%	28.1%	-2.9%	<b>-42.2%</b>

The financial data for the eight months ended 31 August 2021 and the twelve months ended 31 December 2020 only contain continuing operations, compared with the data for the year end 31 December 2017, 2018, and 2019 contained continuing operations and discontinued operations.

## FINANCIAL HIGHLIGHTS

<b>Assets and liabilities</b>					
	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	<b>As at 31 August 2021 RMB'000</b>
Non-current assets	4,050,114	4,005,904	5,395,136	6,712,764	<b>3,559,905</b>
Current assets	340,354	929,532	934,815	873,983	<b>1,358,869</b>
Current liabilities	1,380,950	1,485,759	2,234,213	3,129,198	<b>3,083,102</b>
Net current liabilities	(1,040,596)	(556,227)	(1,299,398)	(2,255,215)	<b>(1,724,233)</b>
Total assets less current liabilities	3,009,518	3,449,677	4,095,738	4,457,549	<b>1,835,672</b>
Non-current liabilities	329,377	616,744	1,341,671	1,685,495	<b>974,816</b>
Total equity	2,680,141	2,832,933	2,754,067	2,772,054	<b>860,856</b>
Property, plant and equipment	3,249,970	3,543,997	4,121,145	4,509,076	<b>2,360,938</b>
Cash and cash equivalents	294,107	639,392	394,386	773,832	<b>631,735</b>
Contract liabilities/Deferred revenue	585,982	712,163	861,780	1,062,362	<b>428,516</b>
Interest-bearing bank and other borrowings	919,037	1,082,000	1,944,903	3,150,808	<b>1,334,360</b>

<b>Financial ratio</b>					
	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	<b>As at 31 August 2021</b>
Current ratio	0.25	0.63	0.42	0.28	<b>0.44</b>
Gearing ratio (note)	34.3%	38.2%	70.6%	113.7%	<b>155.0%</b>

*Note:* Gearing ratio equals total debt divided by total equity as of the end of the period/year. Total debt means all interest-bearing bank borrowings.

<b>Cash flows</b>					
	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the twelve months ended 31 December 2020 RMB'000	<b>For the eight months ended 31 August 2021 RMB'000</b>
Net cash from operating activities	521,616	712,627	915,718	820,965	<b>819,347</b>

# CHAIRWOMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board, I hereby present the annual report of the Group for the eight months ended 31 August 2021.

## RESULTS, DIVIDENDS AND SHARE REPURCHASE

The Group's proforma adjusted net loss from continuing operations for the twelve months ended 31 August 2021 was RMB29.7 million representing an increase of RMB29.2 million compared to the corresponding fiscal year. Revenue for the twelve months ended 31 August 2021 increased to RMB483.0 million representing an increase rate of 48.4%. The Board has resolved not to recommend the payment of dividend for the eight months ended 31 August 2021.

In October and November 2021, the Group spent approximately HKD20 million in total repurchasing in the open market an aggregate of 39,342,000 Shares of the Group for employee share award scheme.

### Implication of Implementation Regulations on the business

On 14 May 2021, the PRC State Council issued the Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (《中華人民共和國民辦教育促進法實施條例》), which prohibited us from providing compulsory education services. As a result, we deconsolidated all of our schools providing compulsory education services and canceled our business expansion plan in compulsory education schools.

## BUSINESS HIGHLIGHTS

### Fundamental Education

Through over 20 years of operating private schools in Sichuan Province, the Group has established a strong reputation and believes that the schools are highly recognizable in China, particularly Chengdu, Sichuan Province and are often viewed by students and their parents as a pathway to first-tier universities in China and reputable colleges and universities abroad. For the eight months ended 31 August 2021, the total number of the high-school students of the Group is 3,371 representing a growth rate of 9.1%. The number of students enrolled in the Affected Entities is 26,348 representing a growth rate of 29.3%.



## CHAIRWOMAN'S STATEMENT



Leveraged on the Group's credential in operating preK-12 schools, the Group provided educational management services to five third party owned K-12 schools during the eight months ended 31 August 2021 and entered into contracts with four more third party owned preK-12 schools up to date.

### Higher education

In 2021 Wu Shulian's "China Independent College Rankings", Chengdu Institute Sichuan International Studies University ranked 15th among all 181 independent colleges and 2nd among independent colleges specializing in literature. In June 2021, the Chengdu Institute Sichuan International Studies University obtained provisional approval from Minister of Education for conversion into a private higher school with new branding "Chengdu International Studies College".

### PROSPECTS

The "2021 Implementation Rules" brought significant impact on the Group's current business operation as well as future development plan. The Group will focus of following three business aspects of providing: non-compulsory formal education services to students through its boarding students, educational management services to third party owned preK-12 schools and non-educational students related services.

The formal education services offered to higher education and high school students: the Group will seek opportunity of setting up new high-schools, further increase the campus utilization of existing high schools and universities and increase the tuition fees gradually. The Group is in the process of converting certain not-for-profit high schools into for-profit high schools and will begin to determine tuition fee discretionally.



Non-formal education services offered to third party owned preK-12 schools: the demanding of such service is growing because the network preK-12 schools delivered significant improvement in operation and education quality which attributed many public and private schools joining the network.

Students related services: although the Group will no longer consolidate the Affected Entities, the Group is still seeking business opportunity by providing to students enrolled in schools of the Affected Entities non-educational services such as student's local life services, after-class non-subject based activities, overseas study consultancy services and etc.

### **APPRECIATION**

On behalf of the Board, I would like to thank all our Shareholders and stakeholders for their continued trust and confidence. I would also like to extend our sincere gratitude to the management and the staff to carry out the Group's strategies with outstanding professionalism, integrity and dedication. The Group will strive to continue to expedite the development of our business and focus on maximizing returns to Shareholders.

**Wang Xiaoying**

*Chairwoman*

Hong Kong, 6 May 2022

# 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 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 (雅安市兩城區成實外學校) – 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 Languages 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 afterclass 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 21 of this report. 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 report, 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 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 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 30.9% of 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 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## MANAGEMENT DISCUSSION AND ANALYSIS



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>	For the twelve months ended 31 August 2020 RMB'000 (Unaudited)	Change RMB'000	Percentage Change
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>397,794</b>	294,289	+103,505	+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>School Year</b>		
	<b>2021/2022 Average Tuition Fees RMB</b>	2020/2021 Average Tuition Fees RMB	2019/2020 Average Tuition Fees RMB
Categories of the schools			
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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Student Enrollment

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

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

### Teachers

	2021/2022	2020/2021
Total number of teachers	1,177	1,046

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:

- 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group has already opened one high school in Deyang City and one high school in Chengdu City. As at the date of this report, 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:

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

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 report. 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 report, 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 the total 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.

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

**Tuition Fee**

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

(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.

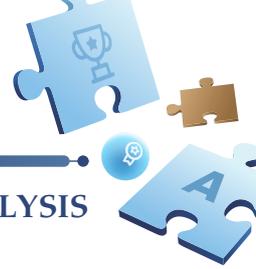
In 2021, the Group expanded educational product layout. In addition to the traditional Anglo-American international program, the Group were also expanding our international education program in Europe and Asia. At the same time, the Group also built matrix academic expansion projects and social practice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



(iv) *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.

(iv) *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	<b>Self-owned schools established as at 31 August 2021</b>	Schools under 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
	<b>9</b>	5

## MANAGEMENT DISCUSSION AND ANALYSIS

Category of schools	<b>Self-owned schools established 2021/2022</b>	Schools under 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
	<b>11</b>	<b>9</b>

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.

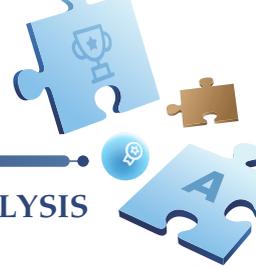
## MANAGEMENT DISCUSSION AND ANALYSIS

### 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)	Change RMB'000	Change (percentage)
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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *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 2020, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

- (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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *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.

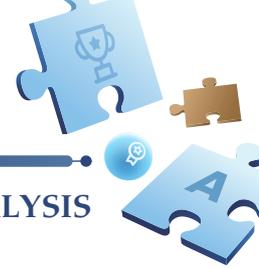
### *Finance Costs*

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.

### 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>	For the twelve months ended 31 August 2020 RMB'000 Unaudited
Net loss from continuing operations	<b>(139,268)</b>	(112,210)
Adjustments for:		
Amortisation of 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)
Adjusted net loss from continuing operations	<b>(29,742)</b>	(476)



## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

### Capital Structure

The Group’s financial department is responsible for the Group’s financial risk management which operates according to policies implemented and approved by the senior management. As at 31 August 2021, all the bank and other borrowings were settled in RMB, while cash and cash equivalents were primarily held in RMB and HKD. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure. The outstanding balances of bank and other borrowings as at 31 August 2021 were at fixed interest rates or floating interest rates for loans denominated in RMB.

### Foreign Exchange Risk Management

The functional currency of the Company is RMB. The majority of the Group’s revenue and expenditures are denominated in RMB. As at 31 August 2021, certain bank balances were denominated in HKD and USD. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

### Significant Investments, Acquisitions and Disposals

Save as disclosed in this annual report, there were no significant investments held as at 31 August 2021, nor other material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

### Future Plan for Material Investments and Capital Assets

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

### Capital Commitments

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

	<b>31 August 2021</b> RMB’000	31 December 2020 RMB’000
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).

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Ms. Wang Xiaoying (王小英)**, aged 59, was appointed as the Chairwoman of the Board and an executive Director on 31 August 2015. Ms. Wang has more than 20 years of experience in business management and is responsible for the overall management and strategic development of the Group. Ms. Wang has been a director of certain of the PRC Operating Entities since Ms. Wang joined the Group in April 2004. Ms. Wang has been responsible for the overall business strategy and development and management of the PRC Operating Entities in her capacity serving as the general manager of the education sector of Sichuan Derui since January 2008. In August 1999, Ms. Wang joined Sichuan Derui as the vice general manager responsible for general administration. In January 2008, Ms. Wang was then re-designated as the general manager of Sichuan Derui in charge of the education sector and has since been responsible for the overall management and strategic development of the PRC Operating Entities. Ms. Wang is the spouse of Mr. Yan Yude, the chief executive officer and an executive Director of the Company and one of the Controlling Shareholders.

**Mr. Ye Jiayu (葉家郁)**, aged 62, was appointed as an executive Director on 31 August 2015. Mr. Ye has more than 30 years of experience in business management and is responsible for the campus safety management of all schools operated by the Group. Mr. Ye is also a supervisor of Tibet Huatai. Mr. Ye joined the Group as a director of certain of the PRC Operating Entities since September 2000. Since January 1993, Mr. Ye has joined Sichuan Derui and currently serves as an executive director of Sichuan Derui and is responsible for the overall management of Sichuan Derui. Mr. Ye obtained his diploma in mechanics from Sichuan Radio and TV University\* (四川廣播電視大學) in the PRC in August 1985.

**Mr. Yan Yude (嚴玉德)**, aged 60, was appointed as a Director on 13 March 2015, was designated as an executive Director on 31 August 2015, and appointed as the chief executive officer of the Company with effect from 15 November 2018. Mr. Yan is also one of the Controlling Shareholders and a director of certain of the subsidiaries of the Group. Mr. Yan has over 20 years of experience in education management and is responsible for the overall strategic development of the Group. Mr. Yan has been a director of the PRC Operating Entities since September 2000. In January 1993, Mr. Yan made the investment in Sichuan Derui and remained as the controlling shareholder of Sichuan Derui since then. Mr. Yan joined Sichuan Derui in 1993 after he invested into Sichuan Derui and was involved in the overall management and strategic development of Sichuan Derui. Mr. Yan obtained his graduation certificate for postgraduate studies in criminology from the Sichuan University\* (四川大學) in the PRC in July 1999. Mr. Yan is the husband of Ms. Wang Xiaoying, an executive Director.

**Mr. Deng Bangkai (鄧幫凱)**, aged 40, was appointed as the executive Director and chief operating officer on 15 November 2018. Mr. Deng is currently responsible for the daily operations, business development, external investment, financing, M&A, and investor relations of the Group. Mr. Deng has more than 13 years of professional experience in accounting, financial management, corporate governance, and capital market transactions. Mr. Deng started his career in Ernst & Young Hua Ming LLP Shenzhen Office in August 2005 and worked in Ernst & Young UK from September 2010 to March 2012. In July 2017, Mr. Deng was appointed as Partner of Ernst & Young. Mr. Deng obtained his bachelor degree in computer science from Shanghai University of Electric Power in the PRC in June 2003 and his master of science degree with commendation in management science from University of Hertfordshire in Great Britain in October 2004. Mr. Deng is a member of the Hong Kong Institute of Certified Public Accountants and a member of The Chinese Institute of Certified Public Accountants.

### Independent Non-executive Directors.

**Mr. Sit Chiu Wing (薛超穎)**, aged 71, was appointed as an independent non-executive Director on 28 December 2015 and is responsible for providing independent opinion and judgement to the Board. Prior to joining the Group, in December 1981, Mr. Sit worked at Shaws Brothers (Hong Kong) Company Limited (邵氏兄弟(香港)有限公司). Mr. Sit worked at Chuang's (Holdings) Limited (莊士集團有限公司) from 1984 to 1996. Mr. Sit has been appointed as the honorary president of Hong Kong Quanzhou Associations Limited since March 2001. Mr. Sit graduated from the Fujian Normal University\* (福建師範大學) of the PRC with a bachelor's degree in history in July 1976.

**Mr. Chan Kim Sun (陳劍榮)**, aged 40, was appointed as an independent non-executive Director on 28 December 2015 and is responsible for providing independent opinion and judgement to the Board. Prior to joining the Group, between October 2004 to March 2010, Mr. Chan joined HLB Hodgson Impey Cheng Limited with his latest position as an audit manager. From August 2011 to September 2014, Mr. Chan served as finance controller and from September 2012 to September 2014 as company secretary of China Infrastructure Investment Limited, the shares of which are listed on the Stock Exchange (stock code: 600). Mr. Chan is currently a non-practicing member of the Hong Kong Institute of Certified Public Accountants and is a fellow of the Association of Chartered Certified Accountants. Mr. Chan graduated from the Hong Kong University of Science and Technology with a bachelor's degree in business administration majoring in accounting and finance in June 2003. Since April 2018, Mr. Chan has been an independent non-executive director of Vision International Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8107). Since February 2021, Mr. Chan has been an independent non-executive director of Hong Kong Resources Holdings Company Limited, the shares of which are listed on the Stock Exchange (stock code: 2882). Since January 2019, Mr. Chan has been the company secretary of WMCH Global Investment Limited, the shares of which are listed on GEM of the Stock Exchange (stock code: 8208).

**Mr. Wen Ruizheng (溫瑞征)**, aged 77, was appointed as an independent non-executive Director on 15 November 2018 and is responsible for providing independent opinion and judgement to the Board. Prior to joining the Group, Mr. Wen has over 50 years of experience in education industry. Mr. Wen has excellent ability and abundant work experience in education management. Mr. Wen served as the secretary of the principal and the director of Students Affairs Office at Chengdu Experimental Foreign Language School (成都市實驗外國語學校) (formally known as Chengdu Xixiang Road Middle School\* (成都市西鄉路中學) and Chengdu No.48 Middle School (成都市四十八中)) from February 1965 to August 1984. He served as the vice principal and principal of Chengdu Experimental Foreign Languages School (成都市實驗外國語學校) from August 1984 to August 1987 and from August 1987 to July 2014, respectively. Mr. Wen obtained his junior college diploma in political science from the Party College of Chengdu Municipal Party Committee\* (中共成都市委黨校) in July 1987. He obtained the qualification of senior teacher of middle school in Sichuan Province\* (四川省中學高級教師). He also obtained various honorary titles from relevant government authorities, including, among others, the "Excellent Principal in Chengdu City"\* (成都市優秀校長) and the "Excellent Educator in Chengdu City"\* (成都市優秀教育工作者).

## DIRECTORS AND SENIOR MANAGEMENT

### Senior Management

**Mr. Gu Daili (古代禮)**, aged 49, joined the Group in November 2018 and was appointed as a vice president of the Company on 21 November 2018. Mr. Gu is primarily responsible for supervising overall performance of teaching quality of all schools operated by the Group. Prior to joining the Group, Mr. Gu has over 25 years of experience in education. Mr. Gu has excellent teaching ability and abundant work experience in education management. Mr. Gu served successively as teacher, dean of students affairs and principal at Ningnan County Liucheng Middle School\* (寧南縣六城中學) from July 1992 to November 1997, from November 1997 to September 1998 and from September 1998 to April 2003. He served as the principal of Ningnan County national middle school\* (寧南縣民族中學) and Ningnan County Middle School\* (寧南縣初級中學) from April 2003 to April 2005 and from April 2005 to August 2009. He served as deputy director and director of Ningnan County Education Bureau\* (寧南縣教育局) from August 2009 to March 2012 and from March 2012 to May 2015 respectively. During the same period, he was also the principal at Ningnan High School\* (寧南中學) and dean of education supervision department of Ningnan county government. He served as director of Ningnan County Bureau of Education, Science, Technology and Intellectual property\* (寧南縣教育和科學技術知識產權局) and dean of education supervision department of Ningnan county government from May 2015 to November 2016. He served as the municipal propaganda minister and standing committee member of Ningnan County Committee of the Communist Party of China\* (中共寧南縣委) from November 2016 to November 2018. Besides, he served as chairman of social science union of Ningnan County from November 2016 to November 2018. Mr. Gu obtained his diploma in teaching from Mianning Normal School\* (冕寧師範學校) in July 1992. He received bachelor degree in administration management from the Party College of Sichuan Provincial Party Committee\* (中共四川省委黨校) in December 2002.

**Dr. Yan Hongjia (嚴弘佳)**, aged 35, was appointed as a vice president of the Company on 21 November 2018. Dr. Yan is primarily in charge of the international business and preschool business departments of the Company. At the same time, she provides guidance for the Company's business development, mergers & acquisitions and comprehensive education solutions tailored for the customers. Prior to joining the Group, Dr. Yan served as an instructor in York University and a center manager engaged in establishment of data consulting center of York University. Dr. Yan had participated in providing consultation services to fortune 500 companies for many times. During the working period, Dr. Yan accumulated rich experience in teaching and research, and got familiar with international education system.

Dr. Yan graduated from Hong Kong Baptist University with a bachelor of Statistics and Operations Research degree in 2009, and subsequently obtained her master degree in Operations Research and Business Statistics from Hong Kong Baptist University in 2010. Dr. Yan obtained her doctor degree in Statistics from York University where she was granted a full scholarship, and published academic papers and research reports in world's top academic journals when pursuing her doctor degree. Dr. Yan also serves as an associate researcher of Chengdu Institute Sichuan International Studies University, a guest professor of Southwestern University of Finance and Economics, a committee member of Sichuan Youth Federation, a member of Sichuan Youth Entrepreneurs Association.

Dr. Yan is the daughter of Mr. Yan Yude, the executive Director and chief executive officer of the Company.



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## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Li Jun (李俊)**, aged 35, was appointed as financial controller of the Company on 21 November 2018. Mr. Li is responsible for financial management and providing financial analysis for investment and mergers and acquisition of the Group to the Board. Mr. Li started his career in Ernst & Young Hua Ming LLP Chengdu Office in October 2012 and subsequently resigned in August 2018, where his last position was audit manager. Mr. Li received bachelor degree in Medicine from Anhui Medical University\* (安徽醫科大學) in June 2009, and master degree in Economics from Southwestern University of Finance and Economic\* (西南財經大學) in June 2012. He is a non-practising member of The Chinese Institute of Certificated Public Accountants.

\* for identification purpose only

# REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

## GLOBAL OFFERING

The Company was incorporated on 13 March 2015 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange on 15 January 2016.

## PRINCIPAL ACTIVITIES

The Company is the leading provider of high school and university private education services in Southwest China. Analysis of the principal activities of the Group during the eight months ended 31 August 2021 is set out in note 1 to the financial statements.

## SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 August 2021 are set out in note 1 to the financial statements.

## RESULTS

The results of the Group for the eight months ended 31 August 2021 are set out in the consolidated statement of profit or loss on page 92 of this annual report.

## BUSINESS REVIEW

A review of the business of the Group during the eight months ended 31 August 2021 and analysis by using financial key performance indicators, the Company's environmental policies and performance and a discussion on the Group's future business development are contained in the Management Discussion and Analysis on pages 10 to 33 of this annual report.

## RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are set out in note 32 to the financial statements and in the section headed "Management Discussion and Analysis" of this annual report. The relevant risk management and control measures are set out in the paragraph headed "Risk Management and Internal Controls" in the corporate governance report.

## 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.

## 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).

## DIVIDEND POLICY

When determining distribution of dividends, the Board adopted such policy to share the profits of the Company with the Shareholders, while preserving sufficient reserves for the Company's future development.

The Company shall assess its dividend policy and distribution in any given year based on its financial condition, the current economic environment and expectations of future macroeconomic environment and business performance. The Board must take into account the following factors before any declaration of distribution or dividend recommendation:

- The actual and expected financial results of the Company;
- Retained earnings and distributable reserves of the Company and its subsidiaries;
- Expected working capital requirements, capital expenditure requirements and future expansion plans of the Group;
- Liquidity position of the Group;
- Any legal restrictions and restrictions under the financing agreements of the Company, including any financing agreements that may be entered into by the Company in the future; and
- Other factors that the Board considers relevant.

The Company's payment of dividends is also subject to applicable laws and regulations, including the Cayman Islands Laws and the Articles of Association. The Board will review this dividend policy from time to time and does not guarantee that any particular amount of dividend will be paid in any given period.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members 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 of the Company 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.

## REPORT OF DIRECTORS

### FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out in the section headed "Financial Highlights" on pages 5 to 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

#### Major Customers

For the eight months ended 31 August 2021, the Group's customers primarily consist of the Group's students and their parents. The Group did not have any single customer who accounted for more than 5% of the Group's revenue.

#### Major Suppliers

For the eight months ended 31 August 2021, the Group's five largest suppliers accounted for 39.8% of the Group's total purchases and the Group's single largest supplier accounted for 9.6% of the Group's total purchases.

For the eight months ended 31 August 2021, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any interest in the Group's five largest suppliers.

### RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with employees, suppliers and customers. During the eight months ended 31 August 2021, the Group strived to satisfy both the students and their parents by continuing to provide better education services. The Group also maintained ongoing communication with suppliers to shorten the delivering cycle and to obtain better payment terms. There was no material and significant dispute between the Group and its employees, suppliers and/or customers during the Reporting Period.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the eight months ended 31 August 2021 are set out in note 14 to the financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the eight months ended 31 August 2021 are set out in note 27 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the eight months ended 31 August 2021 are set out in the consolidated statement of changes in equity on page 96 of this annual report and note 28 to the financial statements.

## CHARITABLE DONATIONS

During the Reporting Period, no charitable donations have been made by the Group.

## DISTRIBUTABLE RESERVES

As at 31 August 2021, the Company's reserve available for distribution was nil (as at 31 December 2020: nil).

## INTEREST BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 31 August 2021 are set out in note 25 to the financial statements.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are:

### Executive Directors:

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

Mr. Yan Yude (*Chief Executive Officer*)

Mr. Ye Jiayu

Mr. Deng Bangkai

### Independent Non-executive Directors:

Mr. Sit Chiu Wing

Mr. Chan Kim Sun

Mr. Wen Ruizheng

In accordance with article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Ye Jiayu, Mr. Sit Chiu Wing and Mr. Wen Ruizheng shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 18 May 2022.

## REPORT OF DIRECTORS

### BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 34 to 37 of this annual report.

### CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the eight months ended 31 August 2021 and remain so as of the date of this annual report.

### DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Ms. Wang Xiaoying, Mr. Ye Jiayu, Mr. Yan Yude and Mr. Deng Bangkai, being the executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date, Listing Date, Listing Date and 15 November 2018, respectively, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

Each of Mr. Sit Chiu Wing, Mr. Chan Kim Sun and Mr. Wen Ruizheng, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from the Listing Date, Listing Date and 15 November 2018, respectively, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

Save as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Non-exempt Continuing Connected Transactions and Connected Transactions" and otherwise disclosed in this annual report, no Directors or their connected entity (within the meaning in section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the eight months ended 31 August 2021.

Apart from the contract relating to the reorganization of the Group in relation to the Listing and save as disclosed in the section headed “Non-exempt Continuing Connected Transactions and Connected Transactions” and otherwise disclosed in this annual report, none of the Controlling Shareholders or any of their connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the eight months ended 31 August 2021.

No contract of significance for the provision of services to the Company or any of its subsidiaries or fellow subsidiaries by the Controlling Shareholders or any of their subsidiaries was entered into during the eight months ended 31 August 2021.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the eight months ended 31 August 2021.

### **EMOLUMENT POLICY**

A remuneration committee was set up for reviewing the Group’s emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group’s operating results, individual performance of the Directors and senior management and comparable market practices.

The Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the section headed “Share Option Scheme” of this annual report.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the financial statements.

### **RETIREMENT AND EMPLOYEE BENEFITS SCHEME**

Details of the retirement and employee benefits scheme of the Company are set out in note 2.4 to the financial statements.

## REPORT OF DIRECTORS

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

As at 31 August 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

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

*Notes:*

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

Save as disclosed above, as at 31 August 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 August 2021, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Virscend Holdings	Beneficial owner	1,315,882,045	Long position	42.60
Mr. Yan Yude <sup>(1)</sup>	Interest in a controlled corporation and interest of spouse	1,383,382,045	Long position	44.79
Ms. Wang Xiaoying <sup>(2)</sup>	Interest of spouse and interest in a controlled corporation	1,383,382,045	Long position	44.79
Bank of China Limited	Security interest	458,876,100	Long position	14.86
Happy Venus Limited <sup>(3)</sup>	Beneficial owner	180,544,129	Long position	5.85
Ms. Yan Hongjia <sup>(3)</sup>	Interest in a controlled corporation	180,544,129	Long position	5.85
The Bank of New York Mellon Corporation	Interest in a controlled corporation	326,128,238 324,162,000	Long position Lending pool	10.56 10.49
Invesco Canada Ltd.	Investment manager	279,915,000	Long position	9.06

## REPORT OF DIRECTORS

### Notes:

- (1) Mr. Yan Yude is the sole shareholder and sole director of Virscend Holdings and he is therefore deemed to be interested in the 1,308,603,045 Shares held by Virscend Holdings. Mr. Yan Yude is the husband of Ms. Wang Xiaoying and is therefore deemed to be interested in the 67,500,000 Shares indirectly held by Ms. Wang Xiaoying through Smart Ally.
- (2) Ms. Wang Xiaoying is the sole shareholder of Smart Ally and she is therefore deemed to be interested in the 67,500,000 Shares held by Smart Ally. Ms. Wang Xiaoying is the wife of Mr. Yan Yude and she is therefore deemed to be interested in the 1,308,603,045 Shares indirectly held by Mr. Yan Yude through Virscend Holdings.
- (3) Ms. Yan Hongjia is the sole shareholder and sole director of Happy Venus Limited and she is therefore deemed to be interested in the Shares held by Happy Venus Limited.

Save as disclosed above, as at 31 August 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## SHARE OPTION SCHEME

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

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

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

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 4 years and 1 month.

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

## REPORT OF DIRECTORS

### EQUITY LINKED AGREEMENTS

Save as disclosed in the section headed “Share Option Scheme” of this annual report, during the eight months ended 31 August 2021, neither the Company nor any of its subsidiaries had entered into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the eight months ended 31 August 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Reference is made to the announcement of the Company dated 10 October 2021 in relation to the adoption of the Scheme by the Board of the Company. The Trustee purchased an aggregate of 39,342,000 shares on the 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. For more details, please refer to the Company’s announcements date 31 October 2021, 8 November 2021, 12 November 2021 and 22 November 2021. No Shares was granted to any eligible participants in the Scheme by the issue date of this report.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

### NON-COMPETITION UNDERTAKING

As of 31 August 2021, the Controlling Shareholders do not have any other interest in any business that may, directly or indirectly, compete with the business of the Group.

Under the Structured Contracts, Mr. Yan Yude has provided certain non-competition undertaking in favor of the Company. For details of the Non-Competition Undertaking, please refer to the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-Competition Undertaking during the Reporting Period for disclosure in this annual report.

The independent non-executive Directors have reviewed the compliance with the Non-Competition Undertaking during the Reporting Period based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the Non-Competition Undertaking.

### DIRECTORS’ INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the eight months ended 31 August 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.



## NON EXEMPT CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTION

During the period, the Group conducted certain transactions with connected persons which constituted continuing connected transactions for the Group under the Listing Rules. Details of those continuing connected transactions which are subject to the reporting requirements pursuant to Chapter 14A of the Listing Rule are summarised below:

### Continuing connected transactions

#### (1) *2021 Lease and Property Management Service Agreement*

On 7 September 2018, each of Chengdu Foreign Languages School and Primary School Attached to the Chengdu Foreign Languages School entered into a new lease agreement with Sichuan Derui (collectively, the “**Previous Lease Agreements**”). Previous Lease Agreements had expired in September 2020, in order to extend the lease terms therein, on 31 August 2020, Chengdu Foreign Languages School, and Primary School Attached to the Chengdu Foreign Languages School entered into a lease agreement with Sichuan Derui (the “**Transitional Lease Agreement**”) in order to renew and use a total of 29 properties of a total of gross floor area of approximately 56,540.73 square metres subject to the same terms as 2018 Lease Agreements free-of rent for a period of 5 months ended 31 January 2021.

In contemplation of the expiration of the Transitional Lease Agreement, on 29 January 2021, Chengdu Foreign Languages School and Primary School Attached to the Chengdu Foreign Languages School, two consolidated affiliated entities of the Group entered into the 2021 Lease and Property Management Service Agreement (“**2021 Lease and Property Management Service Agreement**”) with Sichuan Derui, pursuant to which Sichuan Derui agreed to lease a total of 29 properties to Chengdu Foreign Languages School and Primary School Attached to the Chengdu Foreign Languages School for its school operation, as well as property management service provided with regard to certain lease properties.

For details of 2021 Lease and Property Management Service Agreement, please refer to the Company’s announcements dated 29 January 2021 and 5 February 2021.

## REPORT OF DIRECTORS

The table below sets out the details regarding the 2021 Lease and Property Management Service Agreement:

	<b>Service recipient</b>	<b>Service provider</b>	<b>Duration of the Lease and Property Management Service</b>	<b>Description and use of the property leased</b>	<b>Amount paid for the eight months ended 31 August 2021 RMB'000</b>
2021 Lease and Property Management Service Agreement	Chengdu Foreign Languages School	Sichuan Derui	For a period of nearly three years commencing on 29 January 2021 to 31 December 2023	20 properties comprising various buildings used primarily as teaching complex, teacher and staff dormitory, students dormitory and canteen of high school operation with total gross floor area of approximately 145,184.25 sq.m.	23,613
2021 Lease and Property Management Service Agreement	Primary School Attached to Chengdu Foreign Languages School	Sichuan Derui	For a period commencing on 29 January 2021 to 31 July 2021 (note)	9 properties comprising various buildings used as teaching complex, student dormitory, teacher and staff dormitory and canteen with total gross floor area of approximately 45,703.60 sq.m.	6,809

*Note:* On 30 July 2021, Sichuan Derui and Derui Education Management entered into the School Sponsor's Interest Transfer Agreement, pursuant to which Sichuan Derui agreed to sell and Derui Education Management agreed to purchase 100% of the school sponsor's interest in Primary School Attached to Chengdu Foreign Languages School and its subsidiary Kindergarten of Primary School Attached to Chengdu Jinniu District Foreign Languages School at a cash consideration of RMB7,500,000 (the "**Proposed Disposal**"). Upon completion of the Proposed Disposal, Primary School Attached to Chengdu Foreign Languages School and its subsidiary Kindergarten of Primary School Attached to Chengdu Jinniu District Foreign Languages School cease to be the consolidated affiliated entities of the Company and their financial results will no longer be consolidated into the Group's financial statements since 1 August 2021. In turn, the transaction between Primary School Attached to Chengdu Foreign Languages School and Sichuan Derui should not be included in the scope of certain transactions with connected persons which constituted continuing connected transactions by the Group since 1 August 2021.



The rent payable and property management fee per annum for each of the 2021 Lease and Property Management Service Agreement was arrived at after arm's length negotiation between the Group and Sichuan Derui with reference to the prevailing market conditions and the fee levels of similar lease and property management service in the vicinity of the leased premises. Each of the annual caps for the 2021 Lease and Property Management Service Agreement are approximately RMB60 million for three years ending 31 December 2021, 2022 and 2023. Each of the relevant PRC Operating Entities may renew the respective 2021 Lease and Property Management Service Agreement at any time during the lease and property management service term of the respective 2021 Lease and Property Management Service Agreement for another three years on the same terms as the 2021 Lease and Property Management Service Agreement. Each of the relevant PRC Operating Entities may unilaterally terminate the respective 2021 Lease and Property Management Service Agreement during the lease and property management service term. In addition, pursuant to the 2021 Lease and Property Management Service Agreement, Sichuan Derui agreed that Sichuan Derui shall not transfer any of the properties under the 2021 Lease and Property Management Service Agreement unless with the prior written consent of the relevant PRC Operating Entities, provided also that the relevant PRC Operating Entities are satisfied with the performance of Sichuan Derui under the 2021 Lease and Property Management Service Agreement and the new service provider has the ability to satisfy the obligations under the 2021 Lease and Property Management Service Agreement and guarantees that the new lease and property management service agreement will be on the same terms and conditions with the 2021 Lease and Property Management Service Agreement. Furthermore, each of the relevant PRC Operating Entities has been granted a right of first refusal to acquire the properties at fair market value if the service provider intends to transfer any property under the 2021 Lease and Property Management Service Agreement.

Mr. Yan Yude is a Director and a Controlling Shareholder, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Sichuan Derui is owned as to 69.44% by Mr. Yan Yude and hence an associate of Mr. Yan Yude and a connected person of the Company.

## (2) *Structured Contracts*

### **A. Overview**

The Group currently conducts its private education business through the PRC Operating Entities in the PRC as PRC laws and regulations generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of preschools, high schools and higher education institutions to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners. The Company does not hold any equity interest in the PRC Operating Entities. The Structured Contracts, through which the Company obtains control over and derives the economic benefits from the PRC Operating Entities, have been narrowly tailored to achieve the Group's business purpose and minimize the potential conflict with relevant PRC laws and regulations. Since 1 September 2021, the 2021 Implementation Rules prohibits the service fee charge between related parties, therefore, the Group is unable to obtain control over PRC Operating Entities conducted primary and middle schools education business.

## REPORT OF DIRECTORS

To comply with the above mentioned PRC laws and regulations, at the same time, advancing the Group's access to the international capital markets and effectively control of all of the operations, Tibet Huatai entered into various agreements that constitute the Structured Contracts with, among others, the PRC Operating Entities, under which all economic benefits arising from the business of the PRC Operating Entities are transferred to Tibet Huatai by means of services fees payable by the PRC Operating Entities to Tibet Huatai (subject to approval under PRC laws and regulations). Since the 2021 Implementation Rules became effective on 1 September, the economic benefit arising from the business of the Affected Entities are not longer transferred to Tibet Huatai.

### **B. Summary of the Material Terms of the Structured Contracts**

#### (1) Business Cooperation Agreements

Pursuant to the Business Cooperation Agreements, Tibet Huatai shall provide technical service, management support and consulting service necessary for the private education business, and in return, the PRC Operating Entities shall make payments pursuant to the Structured Contracts. To ensure the due performance of the Structured Contracts, each of the PRC Operating Entities agreed to comply, and procure any of its subsidiaries to comply with, and Sichuan Derui and the Registered Shareholders agreed to procure the PRC Operating Entities to comply with the obligations as prescribed under in the Business Cooperation Agreements. The Registered Shareholders, Sichuan Derui and each of the PRC Operating Entities, had also made certain undertaking in favor of Tibet Huatai, including but not limited to undertaking not to engage in competing business.

#### (2) Exclusive Technical Service and Management Consultancy Agreements

Pursuant to the Exclusive Technical Service and Management Consultancy Agreements, Tibet Huatai agreed to provide exclusive technical services to the PRC Operating Entities, and Tibet Huatai shall have exclusive propriety rights to any technology and intellectual property developed and materials provided in the course of such provision of exclusive technical services. Furthermore, Tibet Huatai agreed to provide exclusive management consultancy services to the PRC Operating Entities.

In consideration of the technical and management consultancy services provided by Tibet Huatai, each of the PRC Operating Entities agreed to pay Tibet Huatai a service fee equal to all or portion (up to the percentage of school's sponsor interest held by Sichuan Derui) of their respective amount of net profit (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law)); PRC Operating Entities agreed to pay Tibet Huatai a service fee equal to the net profit attributable to Sichuan Derui's school sponsor interest (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and legally compulsory development fund of the school (if required by the law)). The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. Tibet Huatai has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of the PRC Operating Entities, provided that any adjusted amount shall not exceed the amount mentioned above. The PRC Operating Entities do not have any right to make any such adjustment.



(3) Exclusive Call Option Agreements

Under the Exclusive Call Option Agreements, Sichuan Derui has irrevocably granted Tibet Huatai or its designated purchaser the right to purchase all or part of the school sponsor's interest of Sichuan Derui in the PRC Operating Entities (the **"Equity Call Option"**). The purchase price payable by Tibet Huatai in respect of the transfer of such school sponsor's interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Tibet Huatai or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest of the PRC Operating Entities as it decides at any time.

In the event that PRC laws and regulations allow Tibet Huatai or us to directly hold all or part of the equity interest in the PRC Operating Entities and operate private education business in the PRC, Tibet Huatai shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Tibet Huatai or us under PRC laws and regulations.

(4) School Sponsors' and Directors' Rights Entrustment Agreements

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreements, Sichuan Derui has irrevocably authorised and entrusted Tibet Huatai to exercise all its rights as school sponsor of each of the PRC Operating Entities to the extent permitted by the PRC laws. Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement, each of the directors nominated by Sichuan Derui has irrevocably authorised and entrusted Tibet Huatai to exercise all his/her rights as directors of the PRC Operating Entities as appointed by Sichuan Derui and to the extent permitted by the PRC laws.

In addition, each of Sichuan Derui and the Appointees have irrevocably agreed that (i) Tibet Huatai may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreements to the directors of Tibet Huatai or its designated person, without prior notice to or approval by Sichuan Derui and the Appointees; and (ii) any person as successor of civil rights of Tibet Huatai or liquidator by reason of subdivision, merger, liquidation of Tibet Huatai or other circumstances shall have authority to replace Tibet Huatai to exercise all rights under the School Sponsors' and Directors' Rights Entrustment Agreement.

## REPORT OF DIRECTORS

### (5) School Sponsors' Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by Sichuan Derui in favor of Tibet Huatai, Sichuan Derui authorised and appointed Tibet Huatai, the sole director of which is Mr. Yi Yu (who is not a director of any of the PRC Operating Entities and does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of the PRC Operating Entities.

Tibet Huatai shall have the right to further delegate the rights so delegated to directors of Tibet Huatai or other designated person. Tibet Huatai confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of the Company. Sichuan Derui irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of Sichuan Derui's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.

### (6) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Tibet Huatai, each of the Appointees authorised and appointed Tibet Huatai, the sole director of which is Mr. Yi Yu (who is not a director of any of the PRC Operating Entities and does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as directors of the PRC Operating Entities.

Tibet Huatai shall have the right to further delegate the rights so delegated to directors of Tibet Huatai or other designated person. Tibet Huatai confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of the Company. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement.



(7) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of each of the Registered Shareholders (if any) has irrevocably undertaken that:

- (a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the relevant Registered Shareholder, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the equity interest in Sichuan Derui, pledge or transfer the equity interest in Sichuan Derui, or the disposal of the equity interest in Sichuan Derui in any other forms;
- (b) the spouse has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to Sichuan Derui and the PRC Operating Entities (except for Mr. Yan Yude and Ms. Wang Xiaoying);
- (c) the spouse authorizes the respective Registered Shareholder and/or his/her authorised person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Sichuan Derui in order to safeguard the interest of Tibet Huatai under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;
- (d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (e) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Huatai and the spouse in writing.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreements.

(8) Equity Pledge Agreements

Pursuant to the Equity Pledge Agreements, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his/her equity interest in Sichuan Derui together with all related rights thereto to Tibet Huatai as security for performance of the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by Tibet Huatai as a result of the any event of default on the part of the Registered Shareholders, Sichuan Derui or each of the PRC Operating Entities and all expenses incurred by Tibet Huatai as a result of enforcement of the obligations of the Registered Shareholders, Sichuan Derui and/or each of the PRC Operating Entities under the Structured Contracts (the "**Secured Indebtedness**").

## REPORT OF DIRECTORS

Pursuant to the Equity Pledge Agreements, without the prior written consent of Tibet Huatai, the Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorised transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Tibet Huatai. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreements. The pledge under the Equity Pledge Agreement was registered with the relevant Administration of Industry and Commerce of the PRC on 18 September 2015 and became effective on the same date.

Under the Structured Contracts, there is no equity pledge arrangement between the Company and Sichuan Derui over the school sponsor's interest in the PRC Operating Entities held by Sichuan Derui. As advised by the PRC Legal Advisors, if the Company were to make an equity pledge arrangement with Sichuan Derui where Sichuan Derui pledges its school sponsor's interest in each of the PRC Operating Entities in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to School Sponsor's interests in schools cannot be registered with the relevant PRC regulatory authorities.

### (9) Loan Agreements

Pursuant to the Loan Agreements, Tibet Huatai agreed to provide interest-free loans to Sichuan Derui in accordance with the PRC laws and regulations and Sichuan Derui agreed to utilize the proceeds of such loans to contribute as capital of the PRC Operating Entities in its capacity as school sponsor of the schools operated by the Group in accordance with our instructions. Both parties agree that all such capital contribution will be directly settled by Tibet Huatai on behalf of Sichuan Derui.

The term of the Loan Agreements shall continue until all school sponsor's interest of the PRC Operating Entities are transferred to Tibet Huatai or its designee and the registration process required thereafter has been completed with the relevant local authorities. Each loan to be granted under the Loan Agreements will be for an infinite term until termination at the sole discretion of Tibet Huatai.

### **C. Business Activities of PRC Operating Entities**

The consolidated affiliated entities of the Group include the PRC Operating Entities and their respective school sponsors and other investment holding companies which were consolidated to the Group by virtue of the Structured Contracts, as amended from time to time.

The primary business activities of PRC Operating Entities are to offer formal high-school and higher education services and non-formal culture and art training to students. All of the school sponsors are investment holding companies.

#### D. Significance and financial contributions of PRC Operating Entities to the Group

Pursuant to the Structured Contracts, the Group obtains control over and derives the economic benefits from the PRC Operating Entities. The table below sets out the financial contribution of the PRC Operating Entities to the Group:

Significances and financial contribution to the Group						
	Revenue		Net Profit*		Total assets	
	For the eight months ended 31 August 2021	For the year ended 31 December 2020	For the eight months ended 31 August 2021	For the year ended 31 December 2020	As at 31 August 2021	As at 31 December 2020
PRC Operating Entities	<b>98.1%</b>	99.7%	<b>36.5%</b>	98.2%	<b>69.6%</b>	87.6%

\* Before service fee charged under Structured Contracts

#### E. Revenue and assets involved in Structured Contracts

The table below sets out (i) revenue; and (ii) assets involved in the PRC Operating Entities, they would be consolidated into the Group's financial statements pursuant to the Structural Contracts:

	Revenue RMB'000 For the eight months ended 31 August 2021	Assets RMB'000 As at 31 August 2021
PRC Operating Entities	<b>248,627</b>	<b>3,421,174</b>

## REPORT OF DIRECTORS

### F. Regulatory Framework

The Group currently conducts its private education business through the PRC Operating Entities in the PRC as PRC laws and regulations generally prohibit or restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently prohibit foreign ownership of primary and middle schools in the PRC and restrict the operation of preschools, high schools and higher education institutions to Sino- foreign ownership, in addition to imposing qualification requirements on the foreign owners. The Company does not hold any equity interest in the PRC Operating Entities. The Structured Contracts, through which the Company obtains control over and derive the economic benefits from the PRC Operating Entities, have been narrowly tailored to achieve the Group's business purpose and minimize the potential conflict with relevant PRC laws and regulations.

#### 1. Primary School and Middle School Education

Pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見) promulgated by the MOE on 18 June 2012 (the "**Implementation Opinions**"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Catalog. Under the Special Management Measures for Foreign Investment Access (Negative List) (2020 version) (外商投資准入特別管理措施(負面清單)(2020年版)) promulgated by the National Development and Reform Commission ("**NDRC**") and the Ministry of Commerce of the PRC ("**MOFCOM**") on June 23, 2020 and became effective from July 23, 2020, primary schools and middle schools offering compulsory education for students from grade one to nine fall within the "prohibited" category. As a result of the prohibition on such foreign ownership, foreign investors (including individuals, companies, partnerships, educational institution and any other entities) are prohibited from owning primary schools or middle schools in the PRC, whether through direct investments or through wholly-owned subsidiaries in the PRC. Therefore, the Company does not hold any direct equity interest in any of Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), Chengdu Experimental Foreign Languages School of Xindu Wulongshan, Meinian Campus, Chengdu Foreign Languages School of Panzhuhua, Chengdu Experimental Foreign Languages School of Quxian, Chengdu Experimental Foreign Languages School of Ya'an, Xinchun Yuanzhu Campus Chengdu Foreign Languages School of Deyang, Chengdu Foreign Languages School of Xinjin, Chengdu Foreign Languages School of Renshou, each of which offers either primary school or middle school education, and controls each of them through the Structured Contracts.



## 2. Preschool, High School and Higher Education

Pursuant to the Special Management Measures for Foreign Investment Access (Negative List) (2020 version) (外商投資准入特別管理措施(負面清單) (2020年版)), the Sino- Foreign Regulation and its implementation rules, the foreign investor in a Sino-foreign joint venture school offering preschool, high school and higher education must be a foreign education institution with relevant qualification and high quality of education (“**Qualification Requirement**”), hold less than 50% of the capital in a Sino-foreign education institute (“**Foreign Ownership Restriction**”) and the domestic party shall play a dominant role (“**Foreign Control Restriction**”), meaning (a) the principal or other chief executive officer of the schools shall be a PRC national (with which the Group had fully complied); and (b) the representative of the domestic party shall account for no less than half of the total members of the Board, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

In relation to the interpretation of Sino-foreign cooperation, if the Company were to apply for any of the schools operated by the Group to be reorganized as a Sino-foreign joint venture private school for PRC students at a preschool, high school and schools offering higher education (“**Sino-Foreign Joint Venture Private School**”), in addition to the Qualification Requirements and the Foreign Ownership Restriction, pursuant to the Implementation Opinions, the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The PRC Legal Advisors have advised that as at the date of this annual report, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

As advised by the PRC Legal Advisors, the Sichuan governmental authority has not promulgated any implementing measures or specific guidance in respect of the Qualification Requirement as at 31 August 2021 and up to the date of this annual report.

Given that as at 31 August 2021 and up to the date of this annual report, as advised by the PRC Legal Advisors, there is no implementing measures or specific guidance in respect of the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize any of the PRC Operating Entities as a Sino-Foreign Joint Venture Private School or convert any of the University into a Sino-Foreign Joint Venture Private School.

## REPORT OF DIRECTORS

### 3. Plan to Comply with the Qualification Requirement

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

As of 31 August, 2021, the Company has taken the following steps to implement the Group's plan.

The California Bureau for Private Postsecondary Education ("**BPPE**") has approved Virscend University to grant two degree programs, Bachelor of Science in Business Administration (BS) and Master of Business Administration (MBA) programs on 18 November 2016. The University, named Virscend University, has graduated 20 MBA students since its opening. Virscend University is in the process of gaining accreditation from WSCUC, the most prestigious accreditation body in higher education of West region of the United States. The University received Eligibility Status from WSCUC on 3 June 2019 and Candidacy for Accreditation on 3 March 2021, which means that the institution met or has a plan to meet all of the standards at a substantial level of compliance for accreditation. The Company has a total expenditure of USD257,563 in 2021 in connection with the Group's plan for the eight months ended 31 August 2021.

### 4. Regulation Updates

#### (i) Impact of the "Law of the People's Republic of China on Foreign Investment"

On 15 March 2019, the "Law of the People's Republic of China on Foreign Investment" ("**Foreign Investment Law**") was passed and promulgated by the National People's Congress, and became effective from 1 January 2020. The Foreign Investment Law defines foreign investment as an investment activity conducted directly or indirectly by a foreign investor, and enumerates the situations that should be deemed as foreign investment. At the same time, the Foreign Investment Law stipulates that foreign investment activities are granted with the pre-establishment national treatment and shall follow the Negative List (as defined hereunder) management system. Foreign investors shall not invest in areas that are prohibited in the Negative List for the Access of Foreign Investment ("**Negative List**"). Foreign investors shall meet the conditions stipulated in the Negative List in order to invest into the areas that are categorized by the Negative List as restricted category. Foreign investors shall follow the same principle as domestic investment in order to invest in areas that are not on the Negative List. There are no provisions in the Foreign Investment Law that explicitly mention the "actual control" or the "contractual arrangements". Nevertheless, further laws and regulations on the above-mentioned are not ruled out. Therefore, there are still uncertainties on whether the structure under the contractual arrangements will be included in the scope of foreign investment supervision in the future, and on the supervision framework if it is included in the scope of supervision. As at the date of this annual report, the Company's operations have not been affected by the Foreign Investment Law. The Company will closely monitor the development of the Foreign Investment Law and the related laws and regulations.



(ii) Impact of the “Implementation Plan for Accelerating the Conversion of Independent Colleges”

In May 2020, the MOE issued the “Implementation Plan for Accelerating the Conversion of Independent Colleges” (關於加快推進獨立學院轉設工作的實施方案), which provided that independent colleges are required to develop a work plan for the conversion by the end of 2020, while promoting a number of independent colleges to achieve the conversion. In the plan, it is particularly specified that for those independent colleges having an established school operation agreement, a clear delineation of rights and obligations between the school operation entities, the school operation conditions to meet the undergraduate universities establishment standards, they are permitted to convert into an independently organized private undergraduate universities.

Given that as at 31 December 2021 and up to the date of this annual report, as advised by the PRC Legal Advisors, completion of conversion of the University controlled through the Structured Contracts will benefit to the operation of the University on recruitment, project application and academic specialties. The implementation plan encourages the local government in the University’s neighborhood to give policies support on subsidies per student, financial incentives and subsidies, interest deduction against loans, talent introduction, purchasing services, the supply of land, tax credit, financial support and etc.

(iii) Impact of the decision on the revision of the “Law of the People’s Republic of China on the Promotion of Private Education”

On 7 November 2016, the decision on the revision of the “Law of the People’s Republic of China on the Promotion of Private Education” (the “**Decision**”) was passed by and promulgated by the National People’s Congress, and has become effective since 1 September 2017. The Decision made certain amendments on the “Law of the People’s Republic of China on the Promotion of Private Education”. According to the Decision, the school sponsors of private schools can choose to set up non-profit or for-profit private schools, but schools offering compulsory education can only be established as non-profit private schools.

The Sichuan Implementation Regulations was promulgated by the Education Department of Sichuan Province and four other relevant government authorities on 2 May 2018 and has become effective since 1 June 2018, establishing certain framework procedures for the transformation of existing private school in Sichuan Province into for-profit private schools or non-profit private schools.

To the best knowledge of the Company, there is uncertainty on the interpretation and application of the Decision, especially having considered that no detailed regulations and rules were enacted for the financial liquidation, property ownership division and tax payment in relation to the transformation of schools into for-profit private schools under the Sichuan Implementation Regulation as at the date of this annual report, which can affect or may affect the entire industry or several of our schools. Hence, as at the date of this annual report, we were unable to measure the impact of the implementation of the Decision on the business operation of our Group.

## REPORT OF DIRECTORS

- (iv) Impact of the “Opinions of the Central Committee of the Communist Party of China on the Deepening Reform and Standardization of Preschool Education”

On 7 November 2018, the “Opinions of the Central Committee of the Communist Party of China on the Deepening Reform and Standardization of Preschool Education” was issued by the Central Committee of the Communist Party of China. Certain Opinions on the deepening reform and standardization of preschool education were put forward, including: (i) private capital shall not control non-profit kindergartens or kindergartens run by state-owned assets or collective assets through mergers and acquisitions, entrusted operations, franchise chains, use of variable interest entities, and agreement control; (ii) for-profit kindergartens participating in mergers and acquisitions, franchise agreement and chain operations shall report the agreements signed with relevant enterprises interested therein to the education department that are at or above the county level for publication to the public; (iii) private kindergartens are not allowed to be listed separately or as part of the listed assets. A listed company may not invest in a for-profit kindergarten through financing in the stock market, and may not purchase assets of the for-profit kindergartens by issue of shares or cash payment; and (iv) encouraging social force to operate kindergartens. The government has increased support, guiding social forces to operate more inclusive kindergartens. Before the end of June 2019, all provinces, including autonomous regions and municipalities directly under the Central Government, should further improve the recognition standards, subsidy standards and support policies for inclusive kindergartens private schools (普惠性民辦園). The development of inclusive private kindergartens is supported by among others, purchased of services, comprehensive awards, rent reduction, stationed public teachers, teachers training and guidance on teaching and research. The number of enrollment capacity in inclusive kindergartens and the quality of the inclusive kindergartens are the important indicators for incentives subsidies and support.

On 9 January 2020, the “Identification and management measures of inclusive private kindergartens in Sichuan Province” (四川省普惠性民辦幼兒園認定和管理辦法) was issued by the Education Department of Sichuan Province and two other relevant government authorities and has become effective since 10 February 2020, establishing identification procedures for inclusive private kindergartens, support policy and management measures.

After consulting our PRC legal advisor, we are of view that with experiences in managing and operating kindergartens over the past years, the Group is able to participate in the development of kindergarten business by delivering services and explore such participation in teachers training services market.



(v) Impact of the Implementation Rules for the Law for Promoting Private Education of the PRC

On 14 May 2021, the PRC State Council promulgated the 2021 Implementation Rules, which has been implemented since 1 September 2021. The 2021 Implementation Rules stipulate that: (1) private schools may enjoy the preferential tax policies stipulated by the State, among which non-profit private schools may enjoy the same preferential tax policies as public schools; (2) for the construction or expansion of non-profit private schools, the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools. For the land use of private schools that implement preschool education and education for academic credentials, the governments may provide lands by means of agreement, bidding, auction and etc. according to the laws. Lands may also be supplied by long-term lease, lease and assignment, and combination of sale and rental. Charges for the assignment or rental of land may be paid in instalments within the specified time limit as agreed in the contract. The 2021 Implementation Rules do not involve specific provisions on preferential taxation and land use policies. Therefore, there are still uncertainties as to what kind of tax and land use policies and other aspects of government supports the private schools under the Group will enjoy in the future.

The 2021 Implementation Rules further stipulate that: (1) private schools that provide compulsory education are not allowed to enter into transactions with their interested parties, and other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, shall be reasonably priced, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools and teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial departments, shall strengthen the supervision of the agreements entered into between non-profit private schools and their interested parties, and shall review the connected transactions annually; (2) if the sponsor is a legal person, its controlling shareholder and the actual controller shall meet the requirements stipulated by laws and administrative regulations for the establishment of a private school, and any change of the controlling shareholder or the actual controller, shall be reported to the competent department for record-filing and publicity; (3) any social organizations and individuals shall not control compulsory education private schools or non-profit private schools which implement preschool education through mergers or Structured Contracts; and (4) the start-up capital and registered capital of a private school shall be paid in full when it is formally established and shall be compatible with the type, level and scale of the school.

## REPORT OF DIRECTORS

The Structured contracts may be considered as transactions with interested parties of private schools under the Group, and we may incur significant compliance costs due to the establishment of a disclosure mechanism. If the private school under the Group chooses to register as a non-profit private school, the competent government department shall review its relevant transactions annually. These processes may not be under our control and may be very complex and cumbersome, and may divert management attention. During the review process, government departments may require us to modify or terminate the structured contract, which may lead to penalties, resulting in a material adverse impact on the operation of the structured contract.

### **G. Risks associated with the arrangements and the actions taken to mitigate the risks**

The Structured Contracts are used to enable the Group to consolidate the financial results of the PRC Operating Entities which engage in the operation of high schools and university where the PRC laws and regulations currently restrict operation of high schools and higher education institutions to Sino-foreign ownership, in addition to imposing Qualification Requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership.

The PRC government may find that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and the Group's business may be materially and adversely affected. The Group relies on the Structured Contracts to obtain control over and derive the economic benefits from the PRC Operating Entities, which may not be as effective in providing operational control as direct ownership. The registered owners of the PRC Operating Entities may have conflicts of interest with the Group or there is deterioration of relations, which may materially and adversely affect the Group's business and financial condition. The Group's execution on the option to acquire school sponsor's interest of the PRC Operating Entities may be subject to certain limitations and the Company may incur substantial costs and expend significant resources to enforce the Structured Contracts if any of the PRC Operating Entities fails to perform its obligations thereunder. The Structured Contracts may be subject to scrutiny of PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group's results of operation and value of the investment by the Shareholders or potential investors of the Company. Certain terms of the Structured Contracts may not be enforceable under PRC laws. The PRC Operating Entities may be subject to limitations on their ability to operate private education or make payments to related parties. The Company relies on dividend and other payments from Tibet Huatai to pay dividends and other cash distributions to the Shareholders. If any of the PRC Operating Entities or Sichuan Derui becomes subject to winding up or liquidation proceedings, the Company may lose the ability to enjoy certain important assets, which could negatively impact the Group's business and materially and adversely affect the Group's ability to generate revenue. For more details, please refer to the section headed "Risk Factors — Risks relating to our Structured Contracts" in the Prospectus and "Impact of the 'Law of the People's Republic of China on Foreign Investment'" in this annual report.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Structured Contracts and the Group's compliance with the Structured Contracts:

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) the Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;
- (d) the Company and the Directors undertake to provide periodic updates in the annual and interim reports regarding the Qualification Requirement and the Group's status of compliance with the Foreign Investment Law as stipulated under the section headed "Structured Contracts — Background of the Structured Contracts" and the latest development of the Foreign Investment Law as disclosed under the section headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" of the Prospectus, including the latest relevant regulatory development as well as the Group's plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and
- (e) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Tibet Huatai and the PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

For the eight months ended 31 August 2021, the Board has reviewed the overall performance of the Structured Contracts and believed that the Group has complied with the Structured Contracts in all material respects.

We have been advised by our PRC Legal Advisors that the provision of non-compulsory education services by the Group through the Structured Contracts is not prohibited by the Implementation Regulations and does not violate any laws and mandatory provisions of any administrative regulations in the PRC.

In addition, notwithstanding that the executive Directors, Mr. Yan Yude, Ms. Wang Xiaoying and Mr. Ye Jiayu, are also the Registered Shareholders, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently after the Listing under the following measures:

- (a) the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

## REPORT OF DIRECTORS

- (b) each of the Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefits and in the best interests of the Group;
- (c) the Company has appointed three independent non-executive Directors, comprising over one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and
- (d) the Company will disclose in the announcements, circulars, annual and interim reports of the Company in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

### H. Material changes

As of the date of this annual report, there were no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

During the Reporting Period, the Group completed the establishment of Chengdu Foreign Languages School of Renshou, Chengdu Foreign Languages High School of Deyang and Chengdu Experimental Foreign Languages High School of Chengdu Jinniu District. All of them entered into the Structured Contracts, with Tibet Huatai, upon their establishment, the framework of which is a reproduction of the existing arrangements of the Structured Contracts as disclosed in the Prospectus. According to 2021 Implementation Rules, Chengdu Foreign Languages School of Renshou who provides compulsory education services was deconsolidated from the Company since 31 August 2021. Other two schools remain as consolidated affiliated entities of the Company.

### I. Unwinding of the Structured Contracts

As of the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For more details, please refer to the section headed “Structured Contracts – Operation of the Structured Contracts – Termination of the Structured Contracts” of the Prospectus. In the event that the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Tibet Huatai will exercise the Equity Call Option in full to unwind the contractual arrangements so that the Company will be able to directly operate the schools without using the Structured Contracts.



(3) *Confirmation of independent non-executive Directors*

The independent non-executive Directors have reviewed the aforesaid Property Lease Agreements and Structured Contracts (collectively, the “**Continuing Connected Transactions**”) and confirmed that, during the Reporting Period:

- (i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group;
- (ii) the Continuing Connected Transactions are on normal commercial terms; and
- (iii) the Continuing Connected Transactions have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

(4) *Confirmation of auditor of the Company*

Ernst & Young, the Company’s auditor, was engaged to report on the Group’s Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants.

After performing the procedures related to continuing connected transaction, Ernst & Young confirmed that:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.
- b. nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- c. nothing has come to our attention that causes us to believe that dividends or other distributions have been made by Chengdu Foreign Languages School, Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School (Western Campus), Chengdu Foreign Languages School of Panzhihua, Primary School Attached to Chengdu Experimental Foreign Languages School, Chengdu Experimental Foreign Languages School of Xindu Wulongshan, Wulongshan Campus of Chengdu Experimental Foreign Languages School, Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School, Primary school of Chengdu Foreign Languages School of Yibin, Chengdu Experimental Foreign Languages School of Quxian, Virscend High School of Quxian, Chengdu Experimental Foreign Languages School of Ya’an, Virscend High School of Ya’an, Primary school Attached to Chengdu Foreign Languages School, Chengdu Foreign Languages High School of Yibin, Chengdu Foreign Languages School of Yibin, Chengdu Foreign Language School Gaoxin Campus, Chengdu Xinjin District Chengdu Foreign Languages School, Chengdu Jiaying Wentai Education Consulting Co., Ltd, Chengdu Fanmao Education Consulting Co., Ltd., Chengdu Jiaying Ruitai Education

## REPORT OF DIRECTORS

Consulting Co., Ltd, Chengdu High-tech Zone Jiayingtai Culture and Art Training School, Chengdu Jiataihua Education Consulting Co., Ltd., Chengdu Jiataihua Education Training School, Sichuan Silk Road International Communication Center for Teenagers, Chengdu Foreign Languages School of Deyang, Chengdu Foreign Languages School of Renshou, Chengdu Experimental Foreign Languages School of Chengdu Jinniu District, Chengdu Foreign Languages High School of Deyang, Chengdu Institute Sichuan International Studies University, Primary School Attached to Chengdu Foreign Languages School (Xichen Campus) (collectively, **“PRC Operating Entities”**) to the holders of their school sponsor’s interests which are not otherwise subsequently assigned or transferred to the Group.

- d. with respect to the aggregate amount of the continuing connected transactions set out in note (i) in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Ernst & Young has issued a letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the eight months ended 31 August 2021 are set out in note 34 to the financial statements. Save as disclosed in this annual report, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

## SIGNIFICANT LEGAL PROCEEDINGS

During the eight months ended 31 August 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the eight months ended 31 August 2021 and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to minimizing the impact on the environment from our business activities. In accordance with Rule 13.91 and Appendix 27 to the Listing Rules, the Company’s Environmental, Social and Governance Report for the eight months ended 31 August 2021 was published on its website and the Stock Exchange’s website on 31 January 2022.



## PERMITTED INDEMNITY PROVISION

Pursuant to article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

## IMPORTANT EVENTS SINCE THE PERIOD END

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 5 years since the date of the agreements. For further details of the loan arrangement, please refer to the section headed “Management Discussion and Analysis” of this annual report.

The Company has adopted a Scheme as a means to recognise the contribution of certain Directors, senior management and employees of the Company and its subsidiaries, or other eligible participant(s). The Shares may be acquired by the Trustee 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 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 report.

## 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 audited consolidated financial statements for the eight months ended 31 August 2021.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 71 to 86 of this annual report.

## REPORT OF DIRECTORS

### SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the Reporting Period and up to the date of this annual report.

### AUDITOR

Ernst & Young was appointed as the auditor for the eight months ended 31 August 2021. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst and Young. There has been no change in auditor in any of the preceding three years.

### RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If the Shareholders are not sure about the tax effect on the purchase, holding, sale, trading or exercise of any rights attached to the relevant Shares of the Company, they are recommended to consult independent experts for advice.

On behalf of the Board

**Wang Xiaoying**

*Chairwoman*

Hong Kong, 6 May 2022



# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the eight months ended 31 August 2021.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code during the eight months ended 31 August 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the remuneration committee (the **"Remuneration Committee"**) and the nomination committee (the **"Nomination Committee"**) (together, the **"Board Committees"**). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

## BOARD COMPOSITION

As at the date of this annual report, the Board comprises four executive Directors and three independent non-executive Directors as follows:

### Executive Directors:

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

Mr. Ye Jiayu

Mr. Yan Yude

Mr. Deng Bangkai

## CORPORATE GOVERNANCE REPORT

### Independent Non-executive Directors:

Mr. Sit Chiu Wing  
Mr. Chan Kim Sun  
Mr. Wen Ruizheng

The biographies of the Directors are set out under the section headed “Directors and Senior Management” in this annual report.

During the eight months ended 31 August 2021, the Board has met at all times the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possesses appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors’ biographies set out in the section headed “Directors and Senior Management” and otherwise disclosed in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

### Board Diversity Policy

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company’s performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria with reference to the Company’s business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience, having due regard for the benefits of diversity of the Board. Currently, the Board has a female board chair and fulfilled the requirement of CG Code provision.



## Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

The record of professional training received by the Directors during the eight months ended 31 August 2021 is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes
<i>Executive Directors</i>	
Ms. Wang Xiaoying	A/B/C/D
Mr. Ye Jiayu	A/B/C/D
Mr. Yan Yude	A/B/C/D
Mr. Deng Bangkai	A/B/C/D
<i>Independent Non-Executive Directors</i>	
Mr. Sit Chiu Wing	A/C/D
Mr. Chan Kim Sun	A/C/D
Mr. Wen Ruizheng	A/C/D

### Notes:

- A: Attending seminars and/or meetings and/or forums and/or briefings
- B: Giving talks in the seminars and/or meetings and/or forums
- C: Attending training relevant to the Company's business conducted by lawyers
- D: Reading materials relevant to corporate governance, director's duties and responsibilities, Listing Rules and other relevant ordinances

## CORPORATE GOVERNANCE REPORT

### Chairwoman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The Chairwoman of the Board and the chief executive officer of the Company (the **“Chief Executive Officer”**) are currently two separate positions held by Ms. Wang Xiaoying and Mr. Yan Yude, respectively, with clear distinction in responsibilities. The Chairwoman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

### Appointment and Re-election of Directors

Pursuant to the article 84(1) of Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

Each of the Independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term.

### Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.



During the eight months ended 31 August 2021, five Board meetings and one annual general meeting were held and the attendance of each Director at the meetings is set out in the table below:

Directors	Attendance/Number of meetings	
	Board Meetings	General Meeting
Ms. Wang Xiaoying	5/5	1/1
Mr. Ye Jiayu	5/5	1/1
Mr. Yan Yude	5/5	1/1
Mr. Deng Bangkai	5/5	1/1
Mr. Sit Chiu Wing	5/5	1/1
Mr. Chan Kim Sun	5/5	1/1
Mr. Wen Ruizheng	5/5	1/1

#### Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions during the eight months ended 31 August 2021. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the eight months ended 31 August 2021.

At the same time, during the eight months ended 31 August 2021, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

#### Delegation by the Board

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

The Board had performed the functions set out in the Corporate Governance Code during the Reporting Period.

### BOARD COMMITTEES

#### Audit Committee

The Audit Committee comprises three members, namely Mr. Chan Kim Sun (chairman), Mr. Sit Chiu Wing and Mr. Wen Ruizheng, all of them are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

1. To review the relationship with the auditor by reference to the work performed by the auditor, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the auditor;
2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the auditor before submission to the Board; and
3. To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.



During the eight months ended 31 August 2021, the Audit Committee held two meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Chan Kim Sun ( <i>Chairman</i> )	2/2
Mr. Sit Chiu Wing	2/2
Mr. Wen Ruizheng	2/2

During the eight months ended 31 August 2021, the Audit Committee reviewed the annual results and reports for the year ended 31 December 2020 and the interim results and report for the six months ended 30 June 2021, the accounting principles and practices adopted by the Company, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor. Having reviewed the effectiveness of the external audit process as well as the independence, the Audit Committee is satisfied with this relationship.

The Group's unaudited and audited annual results for the eight months ended 31 August 2021 have been reviewed by the Audit Committee on 14 January 2022 and 6 May 2022, respectively.

### Nomination Committee

The Nomination Committee currently comprises three members, including two independent non-executive Directors namely Mr. Sit Chiu Wing (chairman) and Mr. Wen Ruizheng and one executive Director namely Mr. Yan Yude.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors;
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and
5. to review the board diversity policy.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

## CORPORATE GOVERNANCE REPORT

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

### Board Composition

Age	35-40	55-60	61-65	>70
	2	2	1	2
<b>Assuming directorship of other listed companies simultaneously (number of companies)</b>			<b>0</b>	<b>1</b>
			6	1
<b>Number of years as Director of the Company</b>			<b>2-3</b>	<b>&gt;5</b>
			2	5
<b>Gender</b>			<b>Male</b>	<b>Female</b>
			6	1
<b>Race</b>			<b>Chinese</b>	<b>Non-Chinese</b>
			7	0



## Skills and Experience of the Directors

	Administration, knowledge leadership and strategic	Professional knowledge of the capital market	Experience in Mainland China market	Professional knowledge in legal/ regulatory and compliance/ risk management	Professional knowledge in accounting/ financial management
<b>Executive Directors</b>					
Wang Xiaoying ( <i>Chairwoman of the Board</i> )	√	√	√	√	√
Ye Jiayu	√	√	√	√	√
Yan Yude	√	√	√	√	√
Deng Bangkai	√	√	√	√	√
<b>Independent Non-executive Directors</b>					
Sit Chiu Wing	√	√			
Chan Kim Sun	√	√		√	√
Wen Ruizheng	√		√	√	
Proportion (proportion to the total number of Directors)	100%	86%	71%	86%	71%

The Company recognizes and embraces the benefits of having a diverse Board to enhance its performance and has adopted a board diversity policy aiming to set out the approach to achieve diversity on the Board. The implementation of the policy is monitored by the Nomination Committee. In designing the Board's composition, board diversity has been considered from a number of measurable objectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will continue to monitor the implementation of the board diversity policy and will review the board diversity policy periodically to ensure its continued effectiveness.

## CORPORATE GOVERNANCE REPORT

During the eight months ended 31 August 2021, the Nomination Committee held two meetings to review the nomination procedures and the composition. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Sit Chiu Wing ( <i>Chairman</i> )	2/2
Mr. Wen Ruizheng	2/2
Mr. Yan Yude	2/2

During the eight months ended 31 August 2021, the Nomination Committee reviewed the structure, size and composition of the Board.

### Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors namely Mr. Sit Chiu Wing (chairman) and Mr. Wen Ruizheng, and one executive Director namely Ms. Wang Xiaoying.

The principal duties of the Remuneration Committee include the following:

- to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;
- to determine the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.



During the eight months ended 31 August 2021, the Remuneration Committee held two meetings. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/ Number of meetings
Mr. Sit Chiu Wing ( <i>Chairman</i> )	2/2
Mr. Wen Ruizheng	2/2
Ms. Wang Xiaoying	2/2

During the eight months ended 31 August 2021, the Remuneration Committee reviewed and discussed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and made recommendation to the Board and other related matters of the Company. The Remuneration Committee ensured that no individual or any of his associates was involved in determining his own remuneration. It also ensured that remuneration awards were determined by reference to the performance of the individual and the Company and were aligned to the market practice and conditions, the Company's goals and strategies. No changes on the policy were recommended by the Remuneration Committee.

#### Remuneration of Directors and Senior Management

For details of emolument policy, please refer to the section headed "Report of Directors" in this annual report. Details of the remuneration by band of the senior management of the Company, whose biographies are set out on pages 34 to 37 of this annual report, for the eight months ended 31 August 2021 are set out below:

Remuneration band	Number of individual
RMBO to RMB1 million	3
RMB1 million to RMB1.5 million	0

### DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the eight months ended 31 August 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors 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. For details, please refer to the note 2.1 to the financial statements.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 87 to 91 of this annual report.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company is as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee;
- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and
- Internal auditors provide independent assurance to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

During the Reporting Period, major works performed by the management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according to their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;
- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;
- the management periodically followed-up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;
- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and
- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place.

The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executive in charge of the internal audit function reported directly to the Audit Committee. The internal audit reports on control effectiveness were submitted to the Audit Committee in line with agreed audit plan approved by the Board. All Directors were informed of the findings of internal audit assignments. During the Reporting Period, the internal audit function carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, amongst others, examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The senior executives in charge of the internal audit function attended meetings of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee.

## CORPORATE GOVERNANCE REPORT

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor's relation, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in Company's securities by the Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee reviewed such arrangement regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the Reporting Period, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Company. The annual review included works such as (i) review of reports submitted by heads of operation units or departments and the management regarding the implementation of the risk management and internal control systems; (ii) periodic discussions with the management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; (iii) evaluation on the scope and quality of management's ongoing monitoring of the risks management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) made recommendations to the Board and the management on the scope and quality of the management's ongoing monitoring of the risk management and internal control systems.

On the basis of the aforesaid, the Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal controls of the Company.

### AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the eight months ended 31 August 2021 was approximately as follows:

Type of Services	Amount (RMB)
Audit services	4,080,000
Non-audit services (including Environmental, Social and Governance Report, and Transfer Pricing)	224,000
Total	4,304,000

## **COMPANY SECRETARY**

Ms. Jeanie Lau (an assistant vice president of the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, a company engaged in the business of providing corporate services) is the company secretary of the Company and is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. Her primary contact person at the Company is Mr. Deng Bangkai, the Chief Operating Officer and an executive Director.

During the eight months ended 31 August 2021, Ms. Jeanie Lau has undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS**

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairwoman and the chairmen of the Board Committees of the Company will attend the annual general meetings to answer Shareholders' questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at ([www.virscendeducation.com](http://www.virscendeducation.com)), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

## **SHAREHOLDERS' RIGHTS**

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

## CORPORATE GOVERNANCE REPORT

### CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or company secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

### ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the company secretary of the Company at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong (email address: [ir@virscendeducation.com](mailto:ir@virscendeducation.com)).

### CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum and Articles of Association on 28 December 2015, with effect from the same date and the Listing Date, respectively. There was no change in the memorandum and Articles of Association during the eight months ended 31 August 2021.

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young Limited  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## To the shareholders of Virscend Education Company Limited

(Incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of Virscend Education Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 92 to 191, which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2021, and of its consolidated financial performance and its consolidated cash flows for the eight-month period then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impact of the 2021 Implementation Rules</b></p> <p>On 14 May 2021, the PRC State Council announced the issuance of the 2021 Implementation Rules for Private Education Laws (the "2021 Implementation Rules"), effective on 1 September 2021, which prohibit social organizations and individuals from controlling a private school that provides compulsory education by means of merger, acquisition, contractual arrangements, etc., and prohibit private schools providing compulsory education from conducting transactions with their related parties.</p> <p>Considering the financial impact from the change of the regulation, management has exercised significant judgement (note 3) and determined to deconsolidate certain of its subsidiaries which operate private schools providing compulsory education (collectively referred to as the "Affected Entities") from the consolidated financial statements since 31 August 2021. The deconsolidation has resulted in the presentation of discontinued operations.</p> <p>Details of the discontinued operations are set out in note 10 to the consolidated financial statements.</p>	<p>Our audit procedures included the followings:</p> <ul style="list-style-type: none"> <li>Evaluating the management's assessment and judgment on the preparation of the financial statements arising from the 2021 Implementation Rules;</li> <li>Obtaining written opinion and discussing with the Group's PRC external legal advisors about the impacts from the 2021 Implementation Rules;</li> <li>Assessing the independence and competence of the Group's PRC external legal advisors which provided opinions to the Group;</li> <li>Involving our internal expert to evaluate the reliability of the opinions provided by the Group's PRC legal advisors;</li> <li>Evaluating the financial impact based on the interpretation of the 2021 Implementation Rules provided by the Company's external legal advisors.</li> <li>Assessing the adequacy of disclosures made in the Group's consolidated financial statements.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT

### Key audit matter

### How our audit addressed the key audit matter

#### Revenue recognition

The existence and completeness of revenue are of high inherent risk because large volumes of tuition, school canteen operation and boarding fee transactions are processed manually. Moreover, all the schools implemented tuition and boarding fee refund policies and the refunds are also processed manually. In addition, tuition and boarding fees paid in advance at the beginning of each academic year are recognised proportionately over the fiscal year. Accordingly, revenue may be recorded in the incorrect period between the academic year and the fiscal year.

The Group's disclosures about revenue recognition are included in note 5 to the financial statements.

Our audit procedures included the followings:

Testing the controls designed and applied by the Group over the collection and process of refunds of tuition and boarding fees and the controls over the calculation of the contract liabilities and the corresponding amount of revenue.

Testing the collection of tuition fees on a sampling basis, observing the attendance and checking the identities of students to verify the existence of revenue.

Recalculating and checking the amounts of contract liabilities and revenue recognised.

Assessing the adequacy of disclosures made in the Group's consolidated financial statements.

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



## INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Law Kwok Kee.

### **Ernst & Young**

Certified Public Accountants

Hong Kong

6 May 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Eight months ended 31 August 2021

	Notes	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (Restated)
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	253,546	372,696
Cost of sales		(254,202)	(263,262)
Gross (loss)/profit		(656)	109,434
Other income and gains	5	23,218	77,005
Research and development costs	6	(13,551)	(20,222)
Selling and distribution expenses		(6,707)	(15,255)
Administrative expenses		(76,180)	(219,814)
Other expenses		(53,872)	(13,428)
Finance costs	7	(46,873)	(46,250)
Share of losses of associates		(2,326)	(2,597)
LOSS BEFORE TAX	6	(176,947)	(131,127)
Income tax expense	11	(21,908)	(9,715)
LOSS FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS		(198,855)	(140,842)
<b>DISCONTINUED OPERATIONS</b>			
(Loss)/profit for the period/year from discontinued operations	10	(1,622,050)	360,645
(LOSS)/PROFIT FOR THE PERIOD/YEAR		(1,820,905)	219,803
Attributable to:			
Owners of the parent	13	(1,797,535)	225,471
Non-controlling interests		(23,370)	(5,668)
		(1,820,905)	219,803

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Eight months ended 31 August 2021



	Note	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (Restated)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
- For (loss)/profit for the period/year	13	<b>RMB(0.58)</b>	RMBO.07
- For loss from continuing operations	13	<b>RMB(0.06)</b>	RM B(0.05)
Diluted			
- For (loss)/profit for the period/year	13	<b>RMB(0.58)</b>	RMBO.07
- For loss from continuing operations	13	<b>RMB(0.06)</b>	RM B(0.05)
(LOSS)/PROFIT FOR THE PERIOD/YEAR		<b>(1,820,905)</b>	219,803
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		<b>26</b>	39
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<b>26</b>	39
OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR, NET OF TAX		<b>26</b>	39
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD/YEAR		<b>(1,820,879)</b>	219,842
Attributable to:			
Owners of the parent		<b>(1,797,524)</b>	225,491
Non-controlling interests		<b>(23,355)</b>	(5,649)
		<b>(1,820,879)</b>	219,842

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2021

		<b>31 August 2021</b>	31 December 2020
	Notes	<b>RMB'000</b>	RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	<b>2,360,938</b>	4,509,076
Right-of-use assets	15(a)	<b>642,272</b>	1,208,263
Other intangible assets	19	<b>138,643</b>	154,475
Investments in associates	16	—	44,539
Goodwill	18	<b>104,298</b>	104,298
Other non-current assets	17	<b>313,754</b>	692,113
Total non-current assets		<b>3,559,905</b>	6,712,764
<b>CURRENT ASSETS</b>			
Inventories		<b>33</b>	297
Trade receivable		<b>1,300</b>	—
Prepayments, other receivables and other assets	20	<b>107,774</b>	82,613
Amounts due from related parties	34(b)	<b>618,027</b>	17,241
Cash and cash equivalents	21	<b>631,735</b>	773,832
Total current assets		<b>1,358,869</b>	873,983
<b>CURRENT LIABILITIES</b>			
Trade payables	22	<b>3,396</b>	80,055
Other payables and accruals	23	<b>197,402</b>	224,015
Financial guarantee contracts	32	<b>5,326</b>	—
Interest-bearing bank and other borrowings	25	<b>365,292</b>	1,690,467
Lease liabilities	15(b)	<b>1,230</b>	19,268
Tax payable		<b>24,551</b>	32,147
Contract liabilities	24	<b>424,140</b>	1,058,302
Deferred income	26	<b>114</b>	3,285
Amounts due to related parties	34(b)	<b>2,061,651</b>	21,659
Total current liabilities		<b>3,083,102</b>	3,129,198
NET CURRENT LIABILITIES		<b>(1,724,233)</b>	(2,255,215)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,835,672</b>	4,457,549

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 August 2021



	Notes	31 August 2021 RMB'000	31 December 2020 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	25	<b>969,068</b>	1,460,341
Lease liabilities	15(b)	—	215,893
Deferred income	26	<b>1,372</b>	5,201
Contract liabilities	24	<b>4,376</b>	4,060
Total non-current liabilities		<b>974,816</b>	1,685,495
Net assets		<b>860,856</b>	2,772,054
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	27	<b>26,051</b>	26,051
Reserves		<b>837,560</b>	2,699,600
		<b>863,611</b>	2,725,651
Non-controlling interests		<b>(2,755)</b>	46,403
Total equity		<b>860,856</b>	2,772,054

**Wang Xiaoying**

Director

**Ye Jiayu**

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Eight months ended 31 August 2021

		Attributable to owners of the parent							
		Share capital	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 27	Note 28(a)	Note 28(b)					
At 1 January 2020		26,051	1,191,545*	484,045*	(60)*	1,028,085*	2,729,666	24,401	2,754,067
Profit/(loss) for the year		—	—	—	—	225,471	225,471	(5,668)	219,803
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		—	—	—	20	—	20	19	39
Total comprehensive income/ (loss) for the year		—	—	—	20	225,471	225,491	(5,649)	219,842
Transfer from retained profits		—	—	107,203	—	(107,203)	—	—	—
Addition to non-controlling interests		—	—	—	—	—	—	35,591	35,591
Disposal of subsidiaries		—	15,915	(4,918)	—	(10,997)	—	(7,940)	(7,940)
Acquisition of subsidiaries under common control		—	(9,883)	—	—	—	(9,883)	—	(9,883)
2019 final dividend declared and 2020 interim dividend declared	12	—	(219,623)	—	—	—	(219,623)	—	(219,623)
At 31 December 2020 and 1 January 2021		26,051	977,954*	586,330*	(40)*	1,135,356*	2,725,651	46,403	2,772,054
Loss for the period		—	—	—	—	(1,797,535)	(1,797,535)	(23,370)	(1,820,905)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		—	—	—	11	—	11	15	26
Total comprehensive income/ (loss) for the period		—	—	—	11	(1,797,535)	(1,797,524)	(23,355)	(1,820,879)
Transfer from retained profits		—	—	2,946	—	(2,946)	—	—	—
Addition to non-controlling interests		—	—	—	—	—	—	6,218	6,218
Deconsolidation of subsidiaries		—	(15,113)	(527,842)	—	542,955	—	(32,021)	(32,021)
2020 final dividend declared and 2021 interim dividend declared	12	—	(64,516)	—	—	—	(64,516)	—	(64,516)
At 31 August 2021		26,051	898,325*	61,434*	(29)*	(122,170)*	863,611	(2,755)	860,856

\* These reserve accounts comprise the consolidated reserves of RMB837,560,000 (31 December 2020: RMB2,699,600,000) in the consolidated statement of financial position as at 31 August 2021.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Eight months ended 31 August 2021



	Notes	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax			
From continuing operations		<b>(176,947)</b>	(131,127)
From discontinued operations		<b>(1,622,033)</b>	360,728
Adjustments for:			
Finance costs		<b>143,742</b>	166,114
Share of losses of associates		<b>2,326</b>	2,597
Impairment of an investment in an associate	6	<b>43,430</b>	11,958
Impairment losses on financial assets, net		<b>1,071</b>	765
Bank interest income		<b>(665)</b>	(2,612)
Other interest income		<b>(8,215)</b>	(32,736)
Loss/(gain) on disposal of items of property, plant and equipment		<b>8,882</b>	(41)
Government grants released		<b>(1,990)</b>	(3,715)
Depreciation	14	<b>131,797</b>	170,435
Amortisation of other intangible assets	19	<b>15,188</b>	8,108
Depreciation of right-of-use assets	15	<b>61,471</b>	30,786
Fair value gain of an investment in an associate	6	—	(31,800)
Gain on disposal of subsidiaries	6	—	(1,444)
Gain on revision of lease contract		<b>(18,701)</b>	—
Loss on deconsolidation of the Affected Entities	10	<b>1,581,907</b>	—
		<b>161,263</b>	548,016
Decrease/(increase) in inventories		<b>162</b>	(92)
(Increase)/decrease in prepayments, other receivables and other assets		<b>(100,983)</b>	29,035
(Increase)/decrease in trade payables		<b>(1,777)</b>	41,194
Increase in other payables and accruals		<b>25,113</b>	43,666
(Decrease)/increase in amounts due to related parties		<b>(9,843)</b>	7,022
Increase in contract liabilities		<b>769,955</b>	153,820
Cash generated from operations		<b>843,890</b>	822,661
Interest received		<b>665</b>	2,612
Income tax paid		<b>(25,208)</b>	(4,308)
Net cash flows from operating activities		<b>819,347</b>	820,965

## CONSOLIDATED STATEMENT OF CASH FLOWS

Eight months ended 31 August 2021

	Notes	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipment		<b>(276,064)</b>	(866,499)
Addition to right-of-use assets		—	(40,000)
Addition to other intangible assets		<b>(275)</b>	(675)
Acquisition of subsidiaries	29	—	(214,533)
Disposal of subsidiaries	30	—	(19,267)
Proceeds from disposal of items of property, plant and equipment		<b>112</b>	574
Receipt of government grants for property, plant and equipment		<b>254</b>	1,624
Purchase of financial products		<b>(26,463)</b>	—
Decrease in time deposits		—	11,420
Loans to third parties		<b>(493,975)</b>	(869,085)
Repayment of loans from third parties		<b>393,724</b>	831,669
Loans to an associate		<b>(1,217)</b>	(12,154)
Interest received		<b>13,354</b>	41,400
Deconsolidation of the Affected Entities	30	<b>(770,405)</b>	—
Net cash flows used in investing activities		<b>(1,160,955)</b>	(1,135,526)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		<b>929,000</b>	1,086,710
Repayments of bank loans		<b>(710,310)</b>	(697,000)
New other loans		<b>402,600</b>	866,945
Repayments of other loans		<b>(56,178)</b>	(50,750)
Addition to non-controlling interests		<b>6,218</b>	8,253
Increase in long-term pledged deposits		<b>(16,008)</b>	(43,247)
Dividends paid		—	(214,981)
Principal portion of lease payments		<b>(105,616)</b>	—
Interest paid		<b>(135,579)</b>	(170,628)
Proceeds from related party loans		<b>16,396</b>	16,832
Repayment of related party loans		<b>(131,038)</b>	(108,166)
Net cash flows from financing activities		<b>199,485</b>	693,968

## CONSOLIDATED STATEMENT OF CASH FLOWS

Eight months ended 31 August 2021



		<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000 (Restated)
<hr/>			
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<b>(142,123)</b>	379,407
Cash and cash equivalents at beginning of period/year		<b>773,832</b>	394,386
Effect of foreign exchange rate changes, net		<b>26</b>	39
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	21	<b>631,735</b>	773,832
Cash and cash equivalents as stated in the statement of cash flows		<b>631,735</b>	773,832

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

## 1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. During the eight months ended 31 August 2021 (the “period”), the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in providing private education services in the People’s Republic of China (the “PRC”). There has been no significant change in the Group’s principal activities during the period, except for the impact from the 2021 Implementation Rules which caused the loss of controls over the Affected Entities as of the reporting date (note 10).

In the opinion of the directors of the Company, as of the date of this report, Mr. Yan Yude and Virscend Holdings Company Limited, which was incorporated in the British Virgin Islands (the “BVI”) and wholly owned by Mr. Yan Yude, are the Company’s controlling shareholders.

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries during the period are as follows:

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company				Principal activities
			31 August 2021		31 December 2020		
			Direct	Indirect	Direct	Indirect	
Virscend Investment Holding Company Limited	20 March 2015, BVI	USD50,000	100%	—	100%	—	Investment holding
Wah Tai (HK) Investment Limited	8 September 2014, Hong Kong	HKD10,000	—	100%	—	100%	Investment holding
Tibet Huatai Education Management Consulting Co., Ltd. 西藏華泰教育管理有限公司 (“Tibet Huatai”)	22 August 2015, the PRC	RMB 300,000,000	—	100% <sup>(b)</sup>	—	100% <sup>(b)</sup>	Provision of education services
Chengdu Institute Sichuan International Studies University 四川外國語大學成都學院 (“The University”) (Note (a))	10 January 2001, the PRC	RMB 98,408,800	—	(Note (a))/(c))	—	(Note (a))/(c))	Provision of university education services

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



## 1. CORPORATE AND GROUP INFORMATION – CONTINUED

### Information about subsidiaries – CONTINUED

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company				Principal activities
			31 August 2021		31 December 2020		
			Direct	Indirect	Direct	Indirect	
Chengdu Foreign Languages School 成都外國語學校	14 January 2000, the PRC	RMB 52,000,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of high and middle school education services
Chengdu Experimental Foreign Languages School 成都市實驗外國語學校	12 October 2001, the PRC	RMB 132,100,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of high and middle school education services
Chengdu Experimental Foreign Languages School (Western Campus) 成都市實驗外國語學校(西區)	4 June 2003, the PRC	RMB 1,000,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of high and middle and elementary school education services
USA Wahtai Educational Consulting Services Inc.	2 November 2015, the United States of America (the "USA")	USD100,000	—	51%	—	51%	Consulting services
Chengdu Derui Huatai Trading Co., Ltd. 成都德瑞華泰商貿有限公司	20 October 2015, the PRC	RMB100,000	—	100% <sup>(d)</sup>	—	100% <sup>(d)</sup>	Trading
Chengdu Tianfu New Area Derui Huatai Education Management Co., Ltd. 成都天府新區德瑞華泰教育管理有限公司	8 June 2016, the PRC	HKD 700,000,000	—	100% <sup>(b)</sup>	—	100% <sup>(b)</sup>	Provision of education services
Chengdu Foreign Languages School of Panzhihua 攀枝花市成都外國語學校	17 May 2017, the PRC	RMB 3,000,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of high and middle and elementary school education services

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 1. CORPORATE AND GROUP INFORMATION – CONTINUED

#### Information about subsidiaries – CONTINUED

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company				Principal activities
			31 August 2021		31 December 2020		
			Direct	Indirect	Direct	Indirect	
Primary School Attached to Chengdu Experimental Foreign Languages School 成都市實驗外國語學校附屬小學	1 June 2017, the PRC	RMB2,000,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of elementary school education services
Chengdu Experimental Foreign Languages School of Xindu Wulongshan 成都實外新都五龍山學校	31 May 2017, the PRC	RMB1,000,000	—	(Note (e))	—	(Note (a)/(c))	Provision of elementary and middle school education services
Wulongshan Campus of Chengdu Experimental Foreign Languages School 成都市實驗外國語學校五龍山校區	31 May 2017, the PRC	RMB3,000,000	—	45% <sup>(e)</sup>	—	45% <sup>(e)</sup>	Provision of high school education services
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)	13 June 2017, the PRC	RMB5,000,000	—	(Note (e))	—	(Note (a)/(c))	Provision of middle and elementary school education services
Primary School of Chengdu Foreign Languages School of Yibin 宜賓市翠屏區成外附屬小學	25 December 2019, the PRC	RMB1,000,000	—	(Note (e))	—	95% <sup>(e)</sup>	Provision of elementary school education services
Chengdu Experimental Foreign Languages School of Quxian 渠縣成都市實驗外國語學校	12 March 2018, the PRC	RMB1,000,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of middle school education services
Virscend High School of Quxian 渠縣成實外高級中學有限公司	5 September 2018, the PRC	RMB1,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of high school education services

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



## 1. CORPORATE AND GROUP INFORMATION – CONTINUED

### Information about subsidiaries – CONTINUED

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company				Principal activities
			31 August 2021		31 December 2020		
			Direct	Indirect	Direct	Indirect	
Chengdu Experimental Foreign Languages School of Ya'an 雅安市雨城區成實外學校	24 April 2019, the PRC	RMB1,000,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of middle and elementary school education services
Virscend High School of Ya'an 雅安市成實外高級中學有限公司	25 April 2019, the PRC	RMB1,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of high school education services
Primary School Attached to Chengdu Foreign Languages School (Xichen Campus) 成都市金牛區成外附小西宸學校	15 July 2019, the PRC	RMB1,000,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of elementary school education services
Chengdu Foreign Languages High School of Yibin 宜賓市成外高級中學有限公司	6 June 2019, the PRC	RMB1,000,000	—	100% <sup>(e)</sup>	—	95% <sup>(e)</sup>	Provision of high school education services
Chengdu Foreign Languages School of Yibin 宜賓市翠屏區成外學校	6 June 2019, the PRC	RMB1,000,000	—	(Note (e))	—	95% <sup>(e)</sup>	Provision of middle school education services
Sichuan Hongdemingzhi Consulting Co., Ltd. 四川弘德明知教育資產有限公司	14 November 2005, the PRC	RMB60,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of education investing and management services
Yanqiang Education Consulting Co., Ltd. 成都嚴強教育諮詢有限公司	28 February 2011, the PRC	RMB93,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of education consulting services
Wah Tai Han Education Company Limited 華泰鑫瀚教育有限公司	9 January 2020, Hong Kong	HKD100,000	51%	—	51%	—	Provision of performing and art tutoring services

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 1. CORPORATE AND GROUP INFORMATION – CONTINUED

#### Information about subsidiaries – CONTINUED

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company				Principal activities
			31 August 2021		31 December 2020		
			Direct	Indirect	Direct	Indirect	
Chengdu Foreign Language School Gaoxin Campus 成都外國語學校高新校區	9 June 2017, the PRC	RMB 3,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of high school education services
Chengdu Foreign Languages School of Xinjin 成都市新津區成外學校	18 June 2020, the PRC	RMB 1,200,000	—	(Note (e))	—	100% <sup>(e)</sup>	Provision of high and middle and elementary school education services
Chengdu Jiaying Wentai Education Consulting Co., Ltd. 成都嘉盈文泰教育諮詢有限公司	15 January 2019, the PRC	RMB 2,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of education consulting services
Chengdu Fanmao Education Consulting Co., Ltd. 成都繁懋教育諮詢有限公司	3 February 2020, the PRC	RMB1,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of education consulting services
Chengdu Jiaying Ruitai Education Consulting Co., Ltd. 成都嘉盈瑞泰教育諮詢有限公司	22 February 2019, the PRC	RMB 2,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of education consulting services
Chengdu High-tech Zone Jiayingtai Culture and Art Training School 成都高新區嘉盈泰文化藝術培訓學校	11 August 2020, the PRC	RMB300,000	—	53% <sup>(e)</sup>	—	53% <sup>(e)</sup>	Provision of non- subject based tutoring education services
Chengdu Jiataihua Education Consulting Co., Ltd. 成都嘉泰華教育諮詢有限公司	10 January 2019, the PRC	RMB 2,000,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of education consulting services
Chengdu Jiataihua Education Training School 成都嘉泰華教育培訓學校	11 November 2020, the PRC	RMB300,000	—	100% <sup>(e)</sup>	—	100% <sup>(e)</sup>	Provision of after-class tutoring education services
Chengdu Jiateng Huarui Trading Co., Ltd. 成都嘉騰華瑞商貿有限公司	8 January 2021, the PRC	RMB 1,000,000	—	100%	—	100%	Trading
Chengdu Foreign Languages School Education Consulting Co., Ltd. 成都市成外教育諮詢有限責任公司	21 July 2021, the PRC	RMB 1,000,000	—	100%	—	100%	Provision of education consulting services

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



## 1. CORPORATE AND GROUP INFORMATION – CONTINUED

### Information about subsidiaries – CONTINUED

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company				Principal activities
			31 August 2021		31 December 2020		
			Direct	Indirect	Direct	Indirect	
Chengdu Foreign Languages School of Deyang 德陽成都外國語學校	3 April 2020, the PRC	RMB 3,000,000	—	(Note (e))	—	100%	Provision of elementary and middle school education services
Chengdu Experimental Foreign Languages School of Chengdu Jinniu District 成都市金牛區實外高級中學有限公司	18 September 2020, the PRC	RMB 3,000,000	—	100%	—	100%	Provision of high school education services
Sichuan Dehong Fengtai Agricultural Science and Technology Co. Ltd. 四川德弘豐泰農業科技有限公司	25 September 2020, the PRC	RMB 20,000,000	100%	—	100%	—	Provision of food logistics services
Chengdu Foreign Languages High School of Deyang 德陽成外高級中學有限公司	16 January 2020, the PRC	RMB 3,000,000	—	100%	—	100%	Provision of high school education services
Primary School Attached to Chengdu Foreign Languages School 成都外國語學校附屬小學 ("CDFL Primary School")**	23 May 2003, the PRC	RMB 1,000,000	—	(Note (e))	—	100%	Provision of elementary school education services
Renshou Chengdu Foreign Languages School 仁壽成都外國語學校	1 February 2021, the PRC	RMB 2,000,000	—	(Note (e))	—	—	Provision of elementary and middle school education services

Notes:

- On 15 November 2016, Sichuan Derui Enterprise Development Co., Ltd. ("Sichuan Derui") and Xinhua Winshare Publishing and Media Co., Ltd. ("Xinhua Winshare") 新華文軒出版傳媒股份有限公司 entered into a School Sponsor's Interest Transfer Agreement, pursuant to which Xinhua Winshare agreed to sell and Sichuan Derui agreed to purchase 24.30% of the school sponsor's interest in The University at a cash consideration of RMB260,250,000. On 25 November 2016, the Group paid the consideration of RMB260,250,000 to Sichuan Derui to acquire the control of 24.30% of the school sponsor's interest in The University. The transfer of the school sponsor's interest mentioned above was in progress as at the date of approval of these consolidated financial statements.
- Registered as a wholly-foreign-owned enterprise under PRC law.
- Accounted for as subsidiaries by virtue of the Group's control over them.
- Indirectly held through a wholly-foreign-owned enterprise of the Company.
- Deconsolidated and excluded from the scope of the consolidated financial statements from 31 August 2021 (note 34).

\* The school is accounted for as a subsidiary of the Group based on the factors explained in note 3 to the financial statements even though the Group has an equity interest of 45% in the school.

\*\* On 30 July 2021, the Group entered into an agreement with a cooperative partner of the school, Sichuan Derui Education Management Co., Ltd. ("Derui Education"), to dispose its equity interests in the CDFL Primary School and its subsidiary at a consideration of RMB7,500,000. As at the date of this report, the transfer of the school sponsor's interest in of the CDFL Primary School has not yet accomplished. However, as the CDFL Primary School and its subsidiary was two of the Affected Entities, they were deconsolidated from the Group as of 31 August 2021 as stated in note 10.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for financial guarantee contracts which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### 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 as set out in note 10 to the financial statements.

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 short-term bank borrowings and obtained new bank borrowings 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.



## 2.1 BASIS OF PREPARATION – CONTINUED

### 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 statement 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.

### Basis of consolidation

These consolidated financial statements include the financial statements of the Group for the eight-month period ended 31 August 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.1 BASIS OF PREPARATION – CONTINUED

#### Basis of consolidation – CONTINUED

The financial statements of the subsidiaries are prepared for the same reporting period as the Company uses consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

As stated in note 10 to the financial statements, as of 31 August 2021, the Group lost control over the Affected Entities and the Affected Entities were deconsolidated from the consolidated financial statements of the Group for the eight months ended 31 August 2021. The operations of the Affected Entities were classified as discontinued operations as of 31 August 2021. Accordingly, the comparative statement of profit or loss has been presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period.



## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current period's financial statements.

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

The nature and the 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 within 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>2, 5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2, 4</sup></i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract<sup>1</sup></i>
Annual Improvements to IFRSs 2018-2020	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 directors of the Company anticipated that the application of the new and amendments to IFRS will have no material impacts on the consolidated financial statement in the foreseeable future.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 August. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Business combinations and goodwill – CONTINUED

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Fair value measurement – CONTINUED

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Related parties – CONTINUED

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Property, plant and equipment and depreciation – CONTINUED

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	1.8% to 18.0%
Leasehold improvements	5.0% to 20.0%
Electronic devices	1.5% to 30.0%
Furniture and fixtures	1.5% to 32.0%
Motor vehicles	4.5% to 24.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Intangible assets (other than goodwill) – CONTINUED

#### *Software*

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5 years.

#### *Favourable rental contract*

Favourable rental contract is the right appraised from the acquisition of Chengdu Foreign Language School Gaoxin Campus (“Gaoxin Campus”) that allows the school to get a favourable term to rent the campus. It amortised on the straight-line basis over its estimated useful life of 17 years by reference to the contractual terms as stipulated in the cooperation arrangements.

#### *Others*

Others including a student base and a non-compete agreement are the right appraised from the acquisition of Gaoxin Campus that allows the school to possess stable income from the students with a fixed enrolment term and teachers with a fixed term who are not permitted to work elsewhere and to generate stable benefit in the foreseeable future. They are amortised on the straight-line basis over their estimated useful lives between 3 and 7 years by reference to the contractual terms as stipulated in the cooperation arrangements.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Leases – CONTINUED

##### Group as a lessee – CONTINUED

##### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 40 years
Buildings and other premises	3 to 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Leases – CONTINUED

#### *Group as a lessee – CONTINUED*

##### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### *Sale and leaseback*

When a sale and leaseback transaction results in a finance lease, the transaction in substance is a loan whereby the lessor provides finance to the lessee, with the asset as security. The previous carrying value of the asset is left unchanged, with the sales proceeds being shown as a liability. The credit or balance is recorded as other borrowings on the consolidated statement of financial position.

#### *Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Investments and other financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Investments and other financial assets – CONTINUED

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- |         |  |
|---------|--|
| Stage 1 | – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs   |
| Stage 2 | – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs                          |



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Impairment of financial assets – CONTINUED

#### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and accruals, an amount due to the ultimate holding company, sales and leaseback borrowings and interest-bearing bank borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Financial liabilities – CONTINUED

##### *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

##### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

##### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Income tax – CONTINUED

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Revenue recognition – CONTINUED

#### *Revenue from contracts with customers – CONTINUED*

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Service income includes tuition fees, school canteen operation fees, boarding fees and university application tutoring and talent education fees from colleges, elementary schools, middle schools and high schools of the Group and tuition fees from preschool services.

Tuition fees, school canteen operation fees, university application tutoring and talent education fees and respective boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition, school canteen operation, and boarding payments received from students but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The portion of unearned university application tutoring fees that are normally expected to earn in three years is reflected as a non-current liability. The academic year of the Group's schools is generally from September to June of the following year.

Management and consultation services fees from customers for the provision of education management and consulting services are recognised when the related services are provided.

#### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

#### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Employee benefits

##### *Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.92% has been applied to the expenditure on the individual assets.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Foreign currencies – CONTINUED

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Contractual arrangements*

Certain subsidiaries are engaged in the provision of education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

The Group exercises control over these subsidiaries and enjoys all economic benefits of these subsidiaries through structured contracts.

The Group considers that it controls these subsidiaries, notwithstanding the fact that it does not hold direct equity interest in these subsidiaries, as it has power over the financial and operating policies of these subsidiaries and receives substantially all of the economic benefits from the business activities of these subsidiaries through the structured contracts. After assessment, the Group's management concluded that the Group has control over these subsidiaries other than the Affected Entities as a result of the structured contracts and other measures and accordingly, the Group has consolidated the financial information of the subsidiaries in the consolidated financial statements other than the Affected Entities (Note 2).

With regard to the Affected Entities, the Group's management reassessed whether the Group could control the Affected Entities upon the effective of the 2021 Implementation Rules based on analysis and judgement as (1) the Group's power over the Affected Entities; (2) the Group's exposure or rights to variable returns from its involvement with the Affected Entities; and (3) the Group's ability to use its power over the Affected Entities to affect the amount of the Group's returns. In making such judgement, the Group's management has considered the requirements of the 2021 Implementation Rules and legal opinion from its legal advisor. Based on the legal opinion, whether general grandfather rule could apply to the structured contracts established prior to the effective of the 2021 Implementation Rules was not specially addressed in the 2021 Implementation Rules which may subject to further interpretation of relevant government authorities, as such, the legal advisor could not conclude that the current structured contracts between the Group and the Affected Entities are legally binding and legally enforceable upon the effective of the 2021 Implementation Rules. Consequently, the Group's management considers that by the end of 31 August 2021, it was no longer practicable for the Group to make and enforce relevant decision for its own benefit as principal in accordance with the structured contracts to direct the relevant activities to affect and obtain the variable return from the Affected Entities and the Group lost control over the Affected Entities on 31 August 2021 immediately before the 2021 Implementation Rules became effective, and deconsolidated the Affected Entities as of 31 August 2021.



### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

#### Judgements – CONTINUED

##### *De facto control over subsidiaries in which the Group holds less than a majority of equity interests*

The Company's directors and the Group's management are of the opinion that the Group has rights to variable returns from its involvement with a school and has the ability to affect the returns through its power over the school although the Group holds less than 50% of its equity interest, after considering that the Company is entitled to nominate more than two-thirds of the board members of the school or the company and therefore has the ability to affect the returns from the school.

##### *Income tax*

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of current tax are set out in note 11 to the financial statements.

##### *Significant judgement in determining the lease term of contracts with renewal options*

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings and other premises due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three years) and there will be a significant negative effect on operation if a replacement is not readily available. In addition, the renewal options for leases of buildings and other premises with longer non-cancellable periods (i.e., 20 years) are not included as part of the lease term as these are not reasonably certain to be exercised.

##### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

#### Estimation uncertainty – CONTINUED

##### *Provision for expected credit losses on financial assets*

The Group estimates a provision rate to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision rate is initially based on the Group's historical observed default rates. The Group will calibrate the rate to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next period which can lead to an increased number of defaults in the related sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's financial assets is disclosed in note 20 to the financial statements.

##### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets, including right-of-use assets, at the end of the reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.



### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

#### Estimation uncertainty – CONTINUED

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 August 2021 was RMB104,298,000 (For the year ended 31 December 2020: RMB104,298,000). Further details are given in note 18.

##### *Impairment of investments in associates*

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investments in associates exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of investments in associates. When value-in-use calculations are undertaken, the Group must estimate the expected future cash flows from investments in associates and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16.

##### *Depreciation and amortisation*

The Group calculates the depreciation of items of property, plant and equipment and amortisation of other intangible assets on the straight-line basis over their estimated useful lives and after taking into account their estimated residual value, estimates useful lives, commencing from the date the items of property, plant and equipment and intangible assets are placed into use. The estimated useful lives reflect the directors' estimate of the period that the Group intends to derive future economic benefits from the use of the Group's items of property, plant and equipment or intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS

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### 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

An analysis of revenue is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (Restated)	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (Restated)	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000 (Restated)
Tuition fees	205,600	322,092	717,210	1,186,390	922,810	1,508,482
School canteen operation fees	14,489	15,700	174,702	249,701	189,191	265,401
Boarding fees	16,563	17,276	21,822	36,058	38,385	53,334
Consultation services fees for overseas studies	5,056	1,037	—	—	5,056	1,037
Non-formal tutoring tuition fees	10,032	11,686	—	—	10,032	11,686
Management and consultation service fees	1,806	4,905	—	—	1,806	4,905
	<b>253,546</b>	<b>372,696</b>	<b>913,734</b>	<b>1,472,149</b>	<b>1,167,280</b>	<b>1,844,845</b>

#### Geographical information

During the period, the Group operated within one geographical segment because nearly all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

#### Information about major customers

No sales to a single customer amounted to 10% or more of the total revenue of the Group during the period.

## NOTES TO THE FINANCIAL STATEMENTS

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### 5. REVENUE, OTHER INCOME AND GAINS

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

	Notes	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000 (Restated)
<u>Revenue from contracts with customers (Note (i))</u>			
Tuition fees		<b>205,600</b>	322,092
School canteen operation fees		<b>14,489</b>	15,700
Boarding fees		<b>16,563</b>	17,276
Consultation services fees for overseas studies		<b>5,056</b>	1,037
Non-formal tutoring tuition fees		<b>10,032</b>	11,686
Management and consultation service fees		<b>1,806</b>	4,905
		<b>253,546</b>	372,696
<u>Other income and gains</u>			
Bank interest income	6	<b>240</b>	1,413
Other interest income	6	<b>1,893</b>	31,835
Foreign exchange difference, net		—	4,065
Government grants			
-related to assets		<b>353</b>	526
-related to income*		<b>6,780</b>	1,936
Rental income		<b>2,382</b>	837
Fair value gain of an investment in an associate	6	—	31,800
Gain on disposal of subsidiaries	30	—	1,444
Others		<b>11,570</b>	3,149
		<b>23,218</b>	77,005

For the eight months ended 31 August 2021, various government grants of RMB6,780,000 (2020: RMB1,936,000) representing cash payments and subsidies were provided by the local government authorities to the Group as value-added tax incentives. There are no unfulfilled conditions or contingencies relating to these grants.

## NOTES TO THE FINANCIAL STATEMENTS

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### 5. REVENUE, OTHER INCOME AND GAINS – CONTINUED

#### (i) Revenue from contracts with customers

##### (a) Disaggregated revenue information

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000 (Restated)
<b>Timing of revenue recognition-over time</b>		
Tuition fees	<b>205,600</b>	322,092
School canteen operation fees	<b>14,489</b>	15,700
Boarding fees	<b>16,563</b>	17,276
Consultation services fees for overseas studies	<b>5,056</b>	1,037
Non-formal tutoring tuition fees	<b>10,032</b>	11,686
Management and consultation service fees	<b>1,806</b>	4,905
	<b>253,546</b>	372,696

The Group's tuition, school canteen operation and boarding services contracts can be terminated anytime, by paying 20% tuition fees as a penalty after the registration date. Tuition, school canteen operation, boarding fees and university application tutoring fees and talent education fees are determined and paid by the students before rendering the services while the consultation services fees are charged based on students' usage at a fixed rate.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 5. REVENUE, OTHER INCOME AND GAINS – CONTINUED

#### (i) Revenue from contracts with customers – CONTINUED

##### (a) Disaggregated revenue information – CONTINUED

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000 (Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tuition fees	<b>200,032</b>	142,889
School canteen operation fees	<b>16,622</b>	3,613
Boarding fees	<b>12,696</b>	13,600
Consultation services fees for overseas studies and non-formal tutoring tuition fees	<b>17,251</b>	–
	<b>246,601</b>	160,102

##### (b) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations as at 31 August 2021 are as follows:

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000 (Restated)
Amounts expected to be recognised as revenue:		
Within one year	<b>424,140</b>	242,541
After one year	<b>4,376</b>	4,060
	<b>428,516</b>	246,601

The contracts for tuition, canteen operation and boarding services are for periods of one year or less. The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to university application tutoring services, of which the performance obligations are normally to be satisfied within three years.

## NOTES TO THE FINANCIAL STATEMENTS

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### 6. LOSS BEFORE TAX

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

	Notes	<b>Eight months ended 31 August 2021 RMB'000</b>	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
Fee for conversion 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 an investment in an associate***	16	<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	5	<b>(240)</b>	(1,413)
Other interest income	5	<b>(1,893)</b>	(31,835)
Foreign exchange difference, net****		<b>379</b>	(4,065)
Fair value gain of an investment in an associate	5	—	(31,800)
Gain on disposal of subsidiaries	30	—	(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 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 were separated out from cost of sales in the consolidated statement of profit or loss.

\*\*\* Impairment of an investment in an associate for the period is included in "Other expenses" in the consolidated statement of profit or loss.

\*\*\*\* Foreign exchange difference, net included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss is generated from the translation of the Hong Kong dollar payables resulting from the fluctuation of the exchange rate between RMB and the Hong Kong dollar.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	<b>Eight months ended 31 August 2021 RMB'000</b>	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>46,873</b>	46,250

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the period/year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000
Salaries, allowances and benefits in kind	<b>2,708</b>	5,701
Pension scheme contributions	<b>35</b>	54
	<b>2,743</b>	5,755

## NOTES TO THE FINANCIAL STATEMENTS

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### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION – CONTINUED

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the period/year were as follows:

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000
Mr. Sit Chiu Wing	67	107
Mr. Chan Kim Sun	67	107
Mr. Wen Ruizheng	56	84
	<b>190</b>	<b>298</b>

There were no other emoluments payable to the independent non-executive directors during the period/year (Year ended 31 December 2020: Nil).

#### (b) Executive directors and the chief executive

<b>Eight months ended 31 August 2021</b>	<b>Salaries, allowances and benefits in kind RMB'000</b>	<b>Pension scheme contributions RMB'000</b>	<b>Total remuneration RMB'000</b>
Executive directors:			
Ms. Wang Xiaoying	557	—	557
Mr. Ye Jiayu	557	—	557
Mr. Deng Bangkai	847	35	882
Executive director and chief executive:			
Mr. Yan Yude	557	—	557
	<b>2,518</b>	<b>35</b>	<b>2,553</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION – CONTINUED

#### (b) Executive directors and the chief executive – CONTINUED

Year ended 31 December 2020	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
Ms. Wang Xiaoying	893	—	893
Mr. Ye Jiayu	893	—	893
Mr. Deng Bangkai	1,388	8	1,396
Executive director and chief executive:			
Mr. Yan Yude	893	—	893
	<u>4,067</u>	<u>8</u>	<u>4,075</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the period (2020: Nil).

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the period include 4 directors (2020: 4), details of whose remuneration are set out in note 8 above. Details of the remuneration for the period of the remaining 1 (2020: 1) highest paid employee who is neither a director nor chief executive of the Group are as follows:

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000
Salaries, allowances and benefits in kind	<b>400</b>	600
Pension scheme contributions	<b>35</b>	16
	<u><b>435</b></u>	<u>616</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 9. FIVE HIGHEST PAID EMPLOYEES – CONTINUED

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	<b>Eight months ended 31 August 2021</b>	Year ended 31 December 2020
Nil to RMB1,000,000	<b>1</b>	<b>1</b>

During the period, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

### 10. DISCONTINUED OPERATIONS

On 14 May 2021, the 2021 Implementation Rules were promulgated by the PRC State Council, whereby the aforesaid contractual agreements of the Affected Entities were no longer enforceable from 1 September 2021. Management assessed the implications of the 2021 Implementation Rules and concluded that, based on the facts and circumstances, the ability of the Group to obtain variable returns of the Affected Entities from the Contractual Agreement ceased by 31 August 2021 immediately before the 2021 Implementation Rules became effective. By the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Entities. Accordingly, the Directors assessed that the Group ceased its control over the Affected Entities by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Entities was deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

The Directors classified the operations relating to the Affected Entities as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss for the eight months ended 31 August 2021. The comparative information relating to the discontinued operations has been re-presented to conform to the current year's presentation. Details of the results of the discontinued operations are set out below:

# NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



## 10. DISCONTINUED OPERATIONS – CONTINUED

	Note	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
REVENUE		913,734	1,472,149
Cost of sales		(786,962)	(918,399)
<b>Gross profit</b>		<b>126,772</b>	553,750
Other income and gains		30,241	5,814
Other expenses		(19,122)	(658)
Selling and distribution expenses		(3,628)	(6,595)
Administrative expenses		(77,520)	(71,719)
Finance costs		(96,869)	(119,864)
<b>(Loss)/profit before tax</b>		<b>(40,126)</b>	360,728
Income tax expense		(17)	(83)
<b>Loss on deconsolidation of the Affected Entities</b>	30	<b>(1,581,907)</b>	–
<b>(Loss)/profit from discontinued operations</b>		<b>(1,622,050)</b>	360,645

The net assets relating to the Affected Entities were RMB1,576,581,000 upon deconsolidation as at 31 August 2021 and an aggregate one-off loss upon deconsolidation of the Affected Entities were recognised during the period and included in the loss from discontinued operations. Details for deconsolidation of subsidiaries are in Note 30.

The condensed cash flows of the Affected Entities were as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Operating activities	476,729	692,221
Investing activities	(191,422)	(700,643)
Financing activities	(153,236)	381,147
Net cash inflow	132,071	372,725
(Loss)/earnings per share:		
Basic, from the discontinued operations	RMB(0.52)	RMB0.12

## NOTES TO THE FINANCIAL STATEMENTS

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### 10. DISCONTINUED OPERATIONS – CONTINUED

The calculations of basic earnings per share from discontinued operations are based on:

	<b>Eight months ended 31 August 2021</b>	Year ended 31 December 2020 (Restated)
(Loss)/profit attributable to ordinary equity holders of the parent from the discontinued operations	<b>RMB(1,598,680,000)</b>	RMB366,313,000
Weighted average number of ordinary shares in issue during the period/year used in the basic earnings per share calculation (note 13)	<b>3,088,761,000</b>	3,088,761,000

### 11. 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.

## NOTES TO THE FINANCIAL STATEMENTS

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### 11. INCOME TAX – CONTINUED

According to the Implementation Rules for the Law for Promoting Private Education and the Proposed Amendments on the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns and non-profit making 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 or are profit-making 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, certain schools within the Group were exempted from corporate income tax in the eight months ended 31 August 2021 and the year ended 31 December 2020.

Taxes on profits assessable elsewhere have been calculated at the rates of tax 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>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000 (Restated)
Current – PRC		
Charge for the period/year	<b>21,777</b>	9,762
Underprovision in prior periods	<b>148</b>	36
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	<b>17</b>	83
	<b>21,925</b>	9,798

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### 11. INCOME TAX – CONTINUED

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the majority of the company's subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	Eight months ended 31 August 2021		Year ended 31 December 2020	
	RMB'000	%	RMB'000 (Restated)	%
Loss before tax from continuing operations	(176,947)		(131,127)	
(Loss)/profit before tax from discontinued operations	(1,614,533)		360,728	
	(1,791,480)		229,601	
Tax at the statutory tax rate	(447,870)	25.0	57,400	25.0
Lower tax rate(s) for specific provinces or enacted by local authority	3,130	(0.2)	(3,506)	(1.5)
Expenses not deductible for tax	406,993	(22.7)	5,753	2.5
Income not subject to tax	(1,962)	0.1	(78,769)	(34.3)
Adjustments in respect of current tax of previous periods	148	—	36	—
Tax losses not recognised	61,540	(3.4)	30,035	13.1
Tax losses utilised from previous periods	(302)	—	(1,426)	(0.6)
Profits and losses attributable to joint ventures and associates	248	—	275	0.1
Tax charge at the Group's effective rate	21,925	(1.2)	9,798	4.3
Tax charge from continuing operations at the effective rate	21,908	(1.2)	9,715	4.2
Tax charge from discontinued operations at the effective rate	17	—	83	—



## 11. INCOME TAX – CONTINUED

Deferred tax assets have not been recognised in respect of the losses amounting to RMB176,508,000 as at 31 August 2021 (31 December 2020: RMB152,574,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 August 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB377,290,000 as at 31 August 2021 (31 December 2020: RMB1,313,440,000).

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

## 12. DIVIDENDS

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000
Final of 2020 – HK2.5 cents (2019: HK4.0 cents) per ordinary share	<b>64,516</b>	112,480
Proposed interim of 2021 – HK1.9 cents (2020: HK4.0 cents) per ordinary share	<b>48,082</b>	107,143
	<b>112,598</b>	219,623

A final dividend of HK2.5 cents per share in respect of the year ended 31 December 2020 proposed by the Board has been approved by the shareholders at the annual general meeting of the Company in June 2021. All dividends have been paid by 30 September 2021.

An interim dividend of HK1.9 cents per share in respect of the period ended 30 June 2021 recommended by the Board has been approved by the shareholders at the EGM on 19 November 2021.



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## 14. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Electronic devices RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 August 2021</b>							
At 1 January 2021							
Cost	3,486,684	698,324	21,366	148,483	398,536	648,313	5,401,706
Accumulated depreciation	(397,417)	(150,042)	(14,876)	(82,112)	(248,183)	—	(892,630)
Net carrying amount	<u>3,089,267</u>	<u>548,282</u>	<u>6,490</u>	<u>66,371</u>	<u>150,353</u>	<u>648,313</u>	<u>4,509,076</u>
At 1 January 2021, net of accumulated depreciation							
Additions	1,423	39,192	739	14,504	45,370	262,465	363,693
Disposals	—	—	—	(1,464)	(73)	—	(1,537)
Assets included in discontinued operations (note 30)	(1,451,383)	(793,556)	(5,216)	(28,264)	(98,062)	(2,016)	(2,378,497)
Depreciation provided during the period	(54,573)	(38,580)	(712)	(13,549)	(24,383)	—	(131,797)
Transfer from construction in progress	—	498,736	—	—	—	(498,736)	—
At 31 August 2021, net of accumulated depreciation	<u>1,584,734</u>	<u>254,074</u>	<u>1,301</u>	<u>37,598</u>	<u>73,205</u>	<u>410,026</u>	<u>2,360,938</u>
At 31 August 2021:							
Cost	1,878,539	349,524	8,575	94,738	207,237	410,026	2,948,639
Accumulated depreciation	(293,805)	(95,450)	(7,274)	(57,140)	(134,032)	—	(587,701)
Net carrying amount	<u>1,584,734</u>	<u>254,074</u>	<u>1,301</u>	<u>37,598</u>	<u>73,205</u>	<u>410,026</u>	<u>2,360,938</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	Property and buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Electronic devices	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2020</b>							
At 1 January 2020							
Cost	3,353,182	543,687	18,899	131,996	377,430	416,767	4,841,961
Accumulated depreciation	(313,679)	(109,394)	(13,477)	(64,058)	(220,208)	–	(720,816)
Net carrying amount	<u>3,039,503</u>	<u>434,293</u>	<u>5,422</u>	<u>67,938</u>	<u>157,222</u>	<u>416,767</u>	<u>4,121,145</u>
At 1 January 2020, net of accumulated depreciation							
	3,039,503	434,293	5,422	67,938	157,222	416,767	4,121,145
Additions	138,137	156,515	2,897	13,905	23,173	255,504	590,131
Acquisition of subsidiaries (note 29)	3,050	7,585	355	3,373	7,840	–	22,203
Disposal of subsidiaries (note 30)	(4,497)	(34,083)	(389)	(3,087)	(10,945)	–	(53,001)
Disposals	–	–	(468)	(39)	(460)	–	(967)
Depreciation provided during the year	(83,472)	(42,973)	(1,402)	(16,174)	(26,414)	–	(170,435)
Transfer from construction in progress	–	23,959	–	–	–	(23,959)	–
At 31 December 2020, net of accumulated depreciation	<u>3,092,721</u>	<u>545,296</u>	<u>6,415</u>	<u>65,916</u>	<u>150,416</u>	<u>648,312</u>	<u>4,509,076</u>
At 31 December 2020:							
Cost	3,486,684	698,324	21,366	148,483	398,536	648,313	5,401,706
Accumulated depreciation	(397,417)	(150,042)	(14,876)	(82,112)	(248,183)	–	(892,630)
Net carrying amount	<u>3,089,267</u>	<u>548,282</u>	<u>6,490</u>	<u>66,371</u>	<u>150,353</u>	<u>648,313</u>	<u>4,509,076</u>

At 31 December 2020, the Group was in the process of obtaining the certificates of properties land and buildings amounting to RMB298,300,000.



## 15. LEASES

### The Group as a lessee

The Group has lease contracts for school campuses and offices and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of school campuses and offices generally have lease terms between 3 and 20 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

	Leasehold land RMB'000	Buildings and other premises RMB'000	Total RMB'000
As at 1 January 2020	916,055	202,005	1,118,060
Additions	—	134,613	134,613
Depreciation charge	(28,071)	(16,339)	(44,410)
As at 31 December 2020 and 1 January 2021	887,984	320,279	1,208,263
Additions	—	1,587	1,587
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	(18,746)	(18,746)
Depreciation charge	(23,736)	(37,735)	(61,471)
Assets included in discontinued operations (note 30)	(255,775)	(231,586)	(487,361)
As at 31 August 2021	608,473	33,799	642,272

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 15. LEASES – CONTINUED

#### The Group as a lessee – CONTINUED

##### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Carrying amount at 1 January	235,161	217,000
New leases	1,587	16,048
Accretion of interest recognised during the period/year	7,880	12,623
Revision of a lease term arising from a change in the non-cancellable period of a lease	(37,449)	—
Payments	(105,613)	(10,510)
Liabilities included in discontinued operations (note 30)	(100,336)	—
Carrying amount at 31 August/31 December	<u>1,230</u>	<u>235,161</u>
Analysed into:		
Current	1,230	19,268
Non-current	—	215,893

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.



## 15. LEASES – CONTINUED

### The Group as a lessee – CONTINUED

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Note	31 August 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Interest on lease liabilities		7,880	12,623
Depreciation charge of right-of-use assets	6	61,471	30,786
Expense relating to short-term leases and other leases with remaining lease terms ended within 1 year (included in cost of sales)		2,888	1,832
Expense relating to leases of low-value assets (included in administrative expenses)		2,373	3,068
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)		41,268	22,106
Total amount recognised in profit or loss		115,880	70,415

### (d) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs.

### (e) Variable lease payments

The Group has lease contracts for buildings that contain variable payments. The variable payments were based on a fixed percentage of profit before tax or turnover of the relevant schools. The amounts of variable lease payments recognised in profit or loss for the current period were RMB41,268,000.

### The Group as a lessor

The Group leases its property, plant and equipment under operating lease arrangements in Mainland China. The non-cancellable periods of these leases were generally one year. Rental income recognised by the Group during the period/year was RMB2,382,000 (2020: RMB837,000), details of which are included in note 5 to the financial statements. The relevant assets subject to these leases cannot be separated from owned assets held and used by the lessor.

## NOTES TO THE FINANCIAL STATEMENTS

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### 16. INVESTMENTS IN ASSOCIATES

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Share of net assets	<b>29,395</b>	31,721
Goodwill on acquisition	<b>27,195</b>	27,195
	<b>56,590</b>	58,916
Provision for impairment	<b>(56,590)</b>	(25,132)
Loans to an associate	<b>13,371</b>	12,154
Impairment allowance	<b>(13,371)</b>	(1,399)
	<b>—</b>	44,539

The loans to associates included in investments in associates are unsecured, interest-free and are not expected to be repaid in one year.

An impairment analysis of loans to associates is performed at each reporting date by considering the probability of default of comparable companies with an estimated credit rate. The credit rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 August 2021, an impairment allowance of RMB13,371,000 was provided.

Particulars of the material associate are as follows:

<b>Name</b>	<b>Particulars of issued shares held</b>	<b>Place of incorporation/ registration and business</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Beijing Oriental Babycare Consulting Co.,Ltd. ("Oriental Babycare")	Ordinary shares	The PRC	26.64%	Provision of early years education services

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 16. INVESTMENTS IN ASSOCIATES – CONTINUED

The Group's shareholdings in the associates all comprise equity shares held by the Company.

Oriental Babycare, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the early years education services and is accounted for using the equity method.

Oriental Babycare has continued making loss for several years and has net deficit of approximately RMB42,087,000 as at 31 August 2021. The Group has made provisions for impairment on the investment and the loans to the associate of RMB56,590,000 and RMB13,371,000, respectively during the period. The total impairment for the investment in and the loans to the associate of RMB43,430,000 is included in other expenses in the consolidated statement of profit or loss.

The following table illustrates the summarised financial information in respect of Oriental Babycare adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Current assets	<b>9,418</b>	5,085
Non-current assets, excluding goodwill	<b>4,141</b>	165,675
Goodwill on acquisition of the associate	—	7,746
Current liabilities	<b>(55,646)</b>	(51,690)
Net (liabilities)/assets	<b>(42,087)</b>	126,816
Net (liabilities)/assets, excluding goodwill	<b>(42,087)</b>	119,070

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 17. OTHER NON-CURRENT ASSETS

	Notes	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Advance payment for construction	(i)	<b>251,919</b>	358,789
Advance payment for equipment	(ii)	<b>9,122</b>	45,344
Long-term pledged deposits (note 25)	(iii)	<b>30,220</b>	43,247
Long-term receivables	(iv)	<b>22,510</b>	246,525
Impairment allowance		<b>(17)</b>	(1,792)
		<b>313,754</b>	692,113

- (i) The amount of RMB251,919,000 (31 December 2020: RMB358,789,000) has been paid for the construction of school campuses which are under construction and have not been completed or accepted by the Group as of 31 August 2021.
- (ii) The amount of RMB9,122,000 (31 December 2020: RMB45,344,000) has been paid for the purchase of equipments which have not been delivered to or accepted by the Group as of 31 August 2021.
- (iii) Included in the amount of RMB30,220,000 were long-term pledged deposits of RMB30,220,000 for obtaining other borrowings (note 25) from third party financing companies. The deposits will be repaid after full settlement of the relevant borrowings in 3 years.
- (iv) Included in the amount of RMB22,510,000 was a loan of RMB17,650,000 to a cooperative partner of an associate, which bears interest at 8% per annum. The loan is secured by a private property of the partner and will be due in May 2025.

The remaining balance of RMB4,860,000 was various loans to a cooperative partner of the Group, and is non-interest-bearing, unsecured and due by 2028 to 2029.

An impairment analysis of long-term receivables is performed at each reporting date by considering the probability of default of comparable companies with an estimated credit rate. The credit rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 August 2021, the impairment allowance was RMB17,000.



## 18. GOODWILL

	RMB'000
Net carrying amount at 31 December 2020 and 1 January 2021	104,298
Impairment during the period	—
Net carrying amount at 31 August 2021	104,298

### Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Gaoxin Campus cash-generating unit (“Gaoxin Campus CGU”) for impairment testing.

The recoverable amount of Gaoxin Campus CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 14% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%.

The carrying amount of goodwill allocated to Gaoxin Campus CGU at the end of the reporting period was RMB104,298,000.

Assumptions were used in the value-in-use calculations of the Gaoxin Campus CGU for 31 August 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**Budgeted revenue** – The budgeted revenue is based on the historical data and management’s expectation on the future market.

**Budgeted earnings before interest and taxes (“EBIT”)** – The basis used to determine the value assigned to the budgeted EBIT is the average EBIT achieved in the period/year immediately before the budget period, increased for expected efficiency improvements, and expected market development.

**Discount rate** – The discount rate used is before tax and reflect specific risks relating to the relevant unit, and is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the PRC education industry.

**Long term growth rate** – The long-term growth rate of 3% is based on the historical data and management’s expectation on the future market.

The values assigned to the key assumptions on the market development of the cash-generating unit and discount rate are consistent with external information sources.

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### 19. OTHER INTANGIBLE ASSETS

	<b>Software</b>	<b>Favourable</b>	<b>Others</b>	<b>Total</b>
	<b>RMB'000</b>	<b>rental contract</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Cost at 1 January 2021, net of accumulated amortisation	2,752	96,078	55,645	154,475
Additions	275	—	—	275
Assets included in discontinued operations (note 30)	(919)	—	—	(919)
Amortisation provided during the period	(634)	(3,843)	(10,711)	(15,188)
At 31 August 2021	<u>1,474</u>	<u>92,235</u>	<u>44,934</u>	<u>138,643</u>
At 31 August 2021:				
Cost	3,440	98,000	61,000	162,440
Accumulated amortisation	(1,967)	(5,765)	(16,065)	(23,797)
Net carrying amount	<u>1,473</u>	<u>92,235</u>	<u>44,935</u>	<u>138,643</u>

	Software	Favourable	Others	Total
	RMB'000	rental contract	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
Cost at 1 January 2020, net of accumulated amortisation	2,908	—	—	2,908
Additions	675	—	—	675
Acquisition of a subsidiary	—	98,000	61,000	159,000
Amortisation provided during the year	(831)	(1,922)	(5,355)	(8,108)
At 31 December 2020	<u>2,752</u>	<u>96,078</u>	<u>55,645</u>	<u>154,475</u>
At 31 December 2020:				
Cost	4,786	98,000	61,000	163,786
Accumulated amortisation	(2,034)	(1,922)	(5,355)	(9,311)
Net carrying amount	<u>2,752</u>	<u>96,078</u>	<u>55,645</u>	<u>154,475</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Prepayments	17,073	37,119
Loans to third parties	36,457	14,846
Deposits and other receivables	27,781	30,648
Other current asset	26,463	—
	<b>107,774</b>	82,613

Included in loans to third parties as at 31 August, 2021 were accrued interest on loans to third parties of RMB34,722,000 and RMB1,735,000, respectively. Included in prepayments, other receivables and other assets as at 31 December 2020 are accrued interest on loans to third parties of RMB13,260,000.

The other current asset as at 31 August 2021 was an investment in a financial product of a bank. The financial product can be redeemed one day after the application of the redemption request. The other current asset was measured at fair value through profit or loss.

An impairment analysis of financial assets included in prepayments, other receivables and other assets is performed at each reporting date by considering the probability of default of comparable companies with an estimated credit rate. The credit rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 31 August 2021, the credit rate applied was nil as there was no default and past due amounts in the balance and the relevant impairment allowance was assessed to be minimal. As at 31 December 2020, the credit rate applied was nil.

### 21. CASH AND CASH EQUIVALENTS

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Cash and bank balances	631,735	773,832
Cash and cash equivalents	631,735	773,832

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB631,735,000 (31 December 2020: RMB773,832,000). The RMB is not freely convertible into other currencies, however, under Mainland China Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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### 22. TRADE PAYABLES

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

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

Trade payables of RMB3,396,000 (31 December 2020: RMB80,055,000) are due to canteen suppliers and property management companies and are repayable within 90 days.

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

### 23. OTHER PAYABLES AND ACCRUALS

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Payables for purchase of fixed assets and construction	<b>9,406</b>	79,462
Other payables	<b>99,524</b>	78,793
Rental fees payable	<b>1,699</b>	20,661
Accruals	<b>9,712</b>	29,245
Dividends payable	<b>74,741</b>	10,398
Interest payable	<b>2,320</b>	5,456
	<b>197,402</b>	224,015

Other payables are non-interest-bearing and have an average term of six months.



## 24. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Tuition fees	<b>356,829</b>	902,171
School canteen operation fees	<b>24,499</b>	104,472
Boarding fees	<b>27,155</b>	38,468
Consultation services fees for overseas studies and non-formal tutoring tuition fees	<b>20,033</b>	17,251
	<b>428,516</b>	1,062,362
Current	<b>424,140</b>	1,058,302
Non-current*	<b>4,376</b>	4,060
	<b>428,516</b>	1,062,362

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

\* The amounts represent university application tutoring fees received in advance from students for services to be provided after one year.

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

	31 August 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	4.45-6.90	2022	190,000	5.22-5.93	2021	729,000
Current portion of long term bank loans – secured	4.80-7.00	2022	43,000	5.64-7.13	2021	690,620
Other loans – secured	6.73-8.19	2022	132,292	4.53-7.90	2021	270,847
			<u>365,292</u>			<u>1,690,467</u>
<b>Non-current</b>						
Bank loans – secured	4.80-7.00	2033	497,500	4.45-7.00	2033	651,090
Other loans – secured	6.73-8.19	2024	471,568	4.53-7.90	2025	809,251
			<u>969,068</u>			<u>1,460,341</u>
			<u>1,334,360</u>			<u>3,150,808</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<b>233,000</b>	1,419,620
In the second year	<b>237,500</b>	120,740
In the third to fifth years, inclusive	<b>104,500</b>	447,550
Beyond five years	<b>155,500</b>	82,800
	<b>730,500</b>	2,070,710
Other borrowings repayable:		
Within one year or on demand	<b>132,292</b>	270,847
In the second year	<b>158,878</b>	227,279
In the third to fifth years, inclusive	<b>312,690</b>	581,972
	<b>603,860</b>	1,080,098
	<b>1,334,360</b>	3,150,808

As at 31 August 2021, the Group's bank borrowings amounting to RMB730,500,000 were secured by assets of or guaranteed by Mr. Yan Yude, Ms. Wang Xiaoying and certain related companies controlled by Mr. Yan Yude. Out of the bank borrowings amounting to RMB730,500,000, a relative of Mr. Yan Yude and a director of the Company also provided guarantee on bank borrowings amounting to RMB100,000,000 and RMB150,000,000, respectively.

As at 31 August 2021, the group's other borrowings are related to loans borrowed from third party financing companies under sales and leaseback arrangements for certain property, plant and equipment with total amount of RMB603,860,000. The other borrowings have maturities from 1 to 5 years and are guaranteed by Mr. Yan Yude, Ms. Wang Xiaoying, certain related companies controlled by Mr. Yan Yude, a relative of Mr. Yan Yude and long-term pledged deposits (note 17).

Besides, bank borrowings amounting to RMB260,500,000 out of RMB730,500,000 were also secured by mortgages over buildings situated in Chengdu, owned by a related party, and bank borrowings amounting to RMB40,000,000 out of RMB730,500,000 were secured by the pledge of 55,000,000 equity interests of Mr. Yan Yude and a relative of Mr. Yan Yude.

## NOTES TO THE FINANCIAL STATEMENTS

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### 26. DEFERRED INCOME

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
At the beginning of period/year	8,486	11,761
Received amounts	256	1,624
Liabilities included in discontinued operations (note 30)	(5,267)	—
Disposal of subsidiaries	—	(1,184)
Charged to profit or loss	(1,989)	(3,715)
At the end of period/year	<u>1,486</u>	<u>8,486</u>
Current	114	3,285
Non-current	<u>1,372</u>	<u>5,201</u>
	<u>1,486</u>	<u>8,486</u>

The grants are related to the subsidies received from the government for the purpose of compensating for the expenses arising from operating activities and improvement of teaching facilities on certain special projects. Upon completion of the operating activities and the related projects, the grants related to the expense items would be recognised as other income directly in the statement of profit or loss and the grants related to assets would be released to the statement of profit or loss over the expected useful life of the relevant asset.

### 27. SHARE CAPITAL

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
<b>Shares</b>		
Issued and fully paid:		
3,088,761,000 (31 December 2020:		
3,088,761,000) ordinary shares of HK1.0 cents each	<u>26,051</u>	<u>26,051</u>



## 27. SHARE CAPITAL – CONTINUED

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2020	3,088,761,000	26,051
At 31 December 2020	3,088,761,000	26,051
At 31 August 2021	3,088,761,000	26,051

## 28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity on page 96 of the financial statements.

### (a) Capital reserve

The capital reserve of the Group represents the capital contribution from its then sponsors of the subsidiaries and deemed acquisition of a non-controlling interest held by persons other than the controlling shareholders.

### (b) Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) the general reserve of the limited liability companies and (ii) the development fund of schools.

- 1) In accordance with the Company Law of the PRC, certain subsidiaries of the Group, which are domestic enterprises, are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.
- 2) According to the relevant PRC laws and regulations, for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of their net income as determined in accordance with generally accepted accounting principles in the PRC. For private schools that do not require reasonable returns, it is required to appropriate to the development fund not less than 25% of their annual increase of net assets as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. BUSINESS COMBINATION

- (a) On 15 August 2020, the Group acquired an 80% interest in Chengdu Foreign Language School Gaoxin Campus from an independent third party. Before the acquisition, Gaoxin Campus was an associate of the Group with a 20% interest. Gaoxin Campus is engaged in providing high school education services. The acquisition was made as part of the Group's strategy to expand its market share of high school education in Chengdu, Sichuan Province. The purchase consideration for the acquisition was in the form of cash, with RMB240,000,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Gaoxin Campus as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Other intangible assets	159,000
Property, plant and equipment	21,280
Cash and bank balances	15,630
Other receivables	47,462
Prepayments and other receivables	1,652
Inventory	12
Advance from customers	(75,112)
Payroll payable	(194)
Other payables	(102)
Total identifiable net assets at fair value	<u>169,628</u>
Goodwill on acquisition	104,298
Fair value of 20% equity interest held immediately before the step acquisition	<u>(33,926)</u>
Satisfied by cash	<u><u>240,000</u></u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(240,000)
Cash and bank balances acquired	<u>15,630</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(224,370)</u></u>

Since the acquisition, Gaoxin Campus contributed RMB38,295,000 to the Group's revenue and RMB4,287,000 to the consolidated profit for the year ended 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. BUSINESS COMBINATION – CONTINUED

(a) – *Continued*

Had the combination taken place at the beginning of the year ended 31 December 2020, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2020 would have been RMB1,883,559,000 and RMB229,535,000, respectively.

(b) On 1 January 2020, the Group acquired a 100% interest in Chengdu Jiaying Wentai Education Consulting Co., Ltd. (“Wentai”), Chengdu Jiaying Ruitai Education Consulting Co., Ltd. (“Ruitai”), and Chengdu Jiataihua Education Consulting Co., Ltd. (“Jiataihua”) from a fellow subsidiary of the ultimate controller. Wentai and Ruitai are engaged in providing talent education services to pre-school children and Jiataihua is engaged in providing university application tutoring services and international programs for high school students. The acquisition was made as part of the Group’s strategy to expand its service line. Wentai, Ruitai and Jiataihua were at negative net assets position. The purchase consideration for the acquisition was nil at the acquisition date.

The fair values of the identifiable assets and liabilities of Wentai, Ruitai and Jiataihua in total as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB’000
Property, plant and equipment	923
Cash and bank balances	9,837
Prepayments and other receivables	6,130
Other payables	(26,773)
Total identifiable net assets at fair value	(9,883)
Debit in reserve	9,883
Satisfied by cash	–

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB’000
Cash consideration	–
Cash and bank balances acquired	9,837
Net inflow of cash and cash equivalents included in cash flows from investing activities	9,837

Since the acquisition, the three companies have contributed RMB13,416,000 to the Group’s revenue and a loss of RMB3,486,000 to the consolidated profit for the year ended 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS

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### 30. DISPOSAL AND DECONSOLIDATION OF SUBSIDIARIES

On 31 August 2021, the Group deconsolidated the Affected Entities providing compulsory education services (note 10):

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 30. DISPOSAL AND DECONSOLIDATION OF SUBSIDIARIES – CONTINUED

On 7 August 2020, the Group entered into an agreement with cooperative partners of schools to dispose its equity interests in three schools.

	2020
	RMB'000
Net assets disposed of:	
Property, plant and equipment	53,001
Cash and bank balances	32,242
Prepayments and other receivables	2,100
Advance from customers	(28,351)
Deferred income	(1,184)
Accruals and other payables	(38,337)
Non-controlling interests	(7,940)
	11,531
Gain on disposal of subsidiaries	1,444
Satisfied by:	
Cash	12,975

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020
	RMB'000
Cash consideration	12,975
Cash and bank balances disposed of	(32,242)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(19,267)

## NOTES TO THE FINANCIAL STATEMENTS

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### 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the period, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,587,000 and RMB1,587,000 respectively, in respect of lease arrangements for school campuses (2020: RMB16,048,000 and RMB16,048,000 respectively).

During the period, the Group had non-cash decrease of lease liabilities of RMB37,449,000 due to revision of a lease contract.

#### (b) Changes in liabilities arising from financing activities

##### Eight months ended 31 August 2021

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000
At 1 January 2021	3,150,808	235,161	10,398
Changes from financing cash flows	573,222	(105,613)	—
New lease	—	1,587	—
Interest expense	—	7,880	—
Gain on revision of a lease contract	—	(37,449)	—
Dividend proposed	—	—	64,343
	<b>3,724,030</b>	<b>101,566</b>	<b>74,741</b>
Less: Deconsolidation of the Affected Entities	(2,389,670)	(100,336)	—
At 31 August 2021	<b>1,334,360</b>	<b>1,230</b>	<b>74,741</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

#### (b) Changes in liabilities arising from financing activities – CONTINUED

Year ended 31 December 2020

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Other payables and accruals RMB'000
At 1 January 2020	1,944,903	217,000	5,756
Changes from financing cash flows	1,205,905	(10,510)	(214,981)
New leases	—	16,048	—
Interest expense	—	12,623	—
Dividend proposed	—	—	219,623
At 31 December 2020	<u>3,150,808</u>	<u>235,161</u>	<u>10,398</u>

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000
Within operating activities	<b>25,228</b>	29,538
Within investing activities	<b>38,666</b>	40,000
Within financing activities	<b>105,613</b>	10,510
	<u><b>169,507</b></u>	<u>80,048</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### 32. FINANCIAL GUARANTEE CONTRACTS

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Financial guarantee contracts	<b>5,326</b>	—

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.

### 33. COMMITMENTS

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

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



### 34. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	Relationship
Mr. Yan Yude	Director of the Company
Ms. Wang Xiaoying	Spouse of Mr. Yan Yude
Ms. Xie Suhua	Mother of Mr. Yan Yude
Ms. Yan Hongjia	Daughter of Mr. Yan Yude
Mr. Ye Jiayu	Executive director of the Company
Ms. Ye Jiaqi	Mother of Ms. Yan Hongjia, Sister of Mr. Ye Jiayu
Sichuan Derui	A company controlled by Mr. Yan Yude
Chengdu Tianren Hotel Co. Ltd ("Tianren Hotel")	A company controlled by Ms. Xie Suhua, mother of Mr. Yan Yude
Chengdu Tianren Property Development Co., Ltd. ("Tianren Property")	A company controlled by Mr. Yan Yude's relatives
USA Tianren Hotel Management Inc., ("USA Tianren Hotel")	A company controlled by Ms. Xie Suhua, mother of Mr. Yan Yude
Virscend Holdings Company Limited ("Virscend Holdings")	A company controlled by Mr. Yan Yude
Sichuan Derui Wanhua Education Management Co., LTD ("Derui Wanhua")	A company controlled by Mr. Yan Yude
Lucky Sign Global Limited ("Lucky Sign")	A company controlled by Mr. Ye Jiayu and Ms. Ye Jiaqi
Happy Venus Limited ("Happy Venus")	A company controlled by Ms. Yan Hongjia, daughter of Mr. Yan Yude
Chengdu Dongai Education Management Center (Limited Partnership) ("Chengdu Dongai")	Controlling shareholder of an associate
Related companies also include the Affected Entities deconsolidated on 31 August 2021 (note 30) as follow which are companies controlled by Sichuan Derui:	
Chengdu Experimental Foreign Languages School	
Chengdu Foreign Languages School	
Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School (Meinian Campus)	
Chengdu Experimental Foreign Languages School of Xindu Wulongshan	
Chengdu Foreign Languages School of Panzhuhua	

## NOTES TO THE FINANCIAL STATEMENTS

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### 34. RELATED PARTY TRANSACTIONS – CONTINUED

#### (a) Names and relationships of related parties – CONTINUED

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

As disclosed in the consolidated statement of financial position, the Group had outstanding balances due to/from related parties at 31 August 2021 and 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS

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### 34. RELATED PARTY TRANSACTIONS – CONTINUED

(b) Outstanding balances with related parties

*Amounts due from related parties*

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Derui Wanhua	9,180	—
Sichuan Derui	—	15,560
Chengdu Dongai	2,259	—
Chengdu Experimental Foreign Languages School	173,970	—
Chengdu Foreign Languages School	253,092	—
Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School (Meinian Campus)	3	—
Chengdu Experimental Foreign Languages School of Xindu Wulongshan	117,387	—
Chengdu Foreign Languages School of Panzhihua	23	—
Chengdu Experimental Foreign Languages School of Quxian	8,149	—
Chengdu Experimental Foreign Languages School of Ya'an	1,650	—
Primary School Attached to Chengdu Foreign Languages School (Xichen Campus)	420	—
Chengdu Foreign Languages School of Deyang	50,034	—
Others	1,860	1,681
	<b>618,027</b>	17,241

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 34. RELATED PARTY TRANSACTIONS – CONTINUED

#### (b) Outstanding balances with related parties – CONTINUED

*Amounts due to related parties*

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
USA Tianren Hotel	1,231	3,522
Mr. Yan Yude	1,294	1,305
Lucky Sign*	3,323	—
Happy Venus*	13,291	—
Virscend Holdings	16,614	16,832
Chengdu Experimental Foreign Languages School	988,602	—
Chengdu Foreign Languages School	475,090	—
Chengdu Experimental Foreign Languages School (Western Campus)	15,811	—
Primary School Attached to Chengdu Experimental Foreign Languages School	47,542	—
Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School (Meinian Campus)	814	—
Chengdu Foreign Languages School of Panzhihua	80,602	—
Chengdu Experimental Foreign Languages School of Quxian	34,998	—
Chengdu Experimental Foreign Languages School of Ya'an	56,179	—
Primary School Attached to Chengdu Foreign Languages School (Xichen Campus)	77,933	—
Primary School of Chengdu Foreign Languages School of Yibin	17,026	—
Chengdu Foreign Languages School of Yibin	147,307	—
Chengdu Foreign Languages School of Xinjin	83,994	—
	<b>2,061,651</b>	<b>21,659</b>

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



### 34. RELATED PARTY TRANSACTIONS – CONTINUED

#### (c) Other related party transactions

During the period/year, the Group entered into the following transactions with its related parties:

Nature of transaction		Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Derui Wanhua	Purchases of property, plant and equipment	9,180	—
Tianren Hotel	Receiving catering and accommodation services	945	—
Lucky Sign*	Loan	3,323	—
Happy Venus*	Loan	13,291	—
Gaoxin Campus**	Management service	—	1,320

\* The amounts were loans from related parties to repurchase shares on the market for the purpose of the Share Award Scheme, which were repaid in September 2021. The loans were unsecured and interest-free.

\*\* Became a subsidiary since the acquisition of 80% interest from an independent third party on 15 August 2020.

Certain of the Group's bank borrowings were secured or guaranteed by related parties. Details are in note 25 to the financial statements.

Certain of the Affected Entities' bank borrowings were secured or guaranteed by the Group. Details are in note 32 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### 34. RELATED PARTY TRANSACTIONS – CONTINUED

#### (d) Commitments with related party

The Group has rental contracts with Sichuan Derui. As at 31 August 2021, the Group had total lease liabilities due to Sichuan Derui after considering the extension options that are expected to be exercised by the Group falling due as follows:

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
Lease liabilities – current	—	13,396
Lease liabilities – non-current	—	149,546
	<u>—</u>	<u>162,942</u>

As at 31 August 2021, the Group's right-of-use assets relating to such rental contracts amounted to RMB85,850,000 (31 December 2020: RMB138,836,000).

As at 31 August 2021, there was no lease liabilities after the deconsolidation of the Affected Entities (Note 30).

#### (e) Compensation of key management personnel of the Group:

	<b>Eight months ended 31 August 2021 RMB'000</b>	Year ended 31 December 2020 RMB'000
Salaries, allowances and benefits in kind	<b>2,708</b>	5,701
Pension scheme contributions	<b>35</b>	54
	<u><b>2,743</b></u>	<u>5,755</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of item (d) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## NOTES TO THE FINANCIAL STATEMENTS

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### 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

#### 31 August 2021

##### Financial assets

	Financial assets at fair value through profit or loss		Total RMB'000
	Financial assets at amortised cost RMB'000	Mandatorily designated as such RMB'000	
Financial assets included in other non-current assets	52,730	—	52,730
Financial assets included in prepayments, other receivables and other assets	55,393	26,463	81,856
Amounts due from related parties	608,847	—	608,847
Trade receivable	1,300	—	1,300
Cash and cash equivalents	631,735	—	631,735
	<u>1,350,005</u>	<u>26,463</u>	<u>1,376,468</u>

##### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	2,061,651
Trade payables	3,396
Financial liabilities included in other payables and accruals	66,724
Lease liabilities	1,230
Interest-bearing bank and other borrowings	<u>1,334,360</u>
	<u>3,467,361</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### 35. FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

31 December 2020

#### Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in other non-current assets	289,772
Financial assets included in prepayments, other receivables and other assets	29,805
Amounts due from related parties	1,681
Cash and cash equivalents	773,832
	<u>1,095,090</u>

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	21,659
Trade payables	80,055
Financial liabilities included in other payables and accruals	182,503
Lease liabilities	235,161
Interest-bearing bank and other borrowings	3,150,808
	<u>3,670,186</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 August 2021 RMB'000	December 2020 RMB'000	31 August 2021 RMB'000	December 2020 RMB'000
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	730,500	2,070,710	713,912	2,075,710
Financial guarantee contracts	5,326	—	5,326	—
Other borrowings	603,860	1,080,098	592,407	1,100,569
	<b>1,339,686</b>	<b>3,150,808</b>	<b>1,311,645</b>	<b>3,176,279</b>

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank borrowings and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 August 2021 and 31 December 2020 was assessed to be insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – CONTINUED

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### *Assets measured at fair value:*

##### As at 31 August 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other current assets	—	26,463	—	26,463

There was no financial asset measured at fair value as at 31 December 2020.

#### *Assets for which fair values are disclosed:*

##### As at 31 August 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Other non-current assets	—	52,730	—	52,730

There was no financial asset disclosed at fair value as at 31 December 2020.

#### *Liabilities measured at fair values:*

There was no financial liability measured at fair value as at 31 August 2021 and 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – CONTINUED

Fair value hierarchy – CONTINUED

*Liabilities for which fair values are disclosed :*

**As at 31 August 2021**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings	—	713,912	—	713,912
Other borrowings	—	592,407	—	592,407
	—	1,306,319	—	1,306,319

**As at 31 December 2020**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings	—	2,075,710	—	2,075,710
Other borrowings	—	1,100,569	—	1,100,569
	—	3,176,279	—	3,176,279

During the eight months ended 31 August 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (Year ended 31 December 2020: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and cash equivalents and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables, amounts due to related parties and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### 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 (note 25) 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 minimise 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 of the Company will consider hedging significant interest rate risk should the need arise.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each period was outstanding for the whole period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 50-basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the period ended 31 August 2021 and the year ended 31 December 2020 would decrease/increase by RMB269,000 and RMB618,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank borrowings and other borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the period ended exposure at the end of the period does not reflect the exposure during the respective periods.



**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED**

**Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from the proceeds denominated in HKD from the IPO and over-allotment option. The forward contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD and RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	<b>Increase/ (decrease) in HKD/RMB rate %</b>	<b>Increase/ (decrease) in loss before tax RMB'000</b>
Eight months ended 31 August 2021		
If the RMB weakens against the Hong Kong dollar	5	5,932
If the RMB strengthens against the Hong Kong dollar	5	(5,932)
Year ended 31 December 2020		
If the RMB weakens against the Hong Kong dollar	5	618
If the RMB strengthens against the Hong Kong dollar	5	(618)

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

#### Credit risk

##### *Maximum exposure and period-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period-end staging classification as at 31 August/31 December.

The amounts presented are gross carrying amounts for financial assets.

#### As at 31 August 2021

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Financial assets included in prepayments, other receivables and other assets					
– Normal*	81,856	—	—	—	81,856
Financial assets included in other non-current assets					
– Normal*	52,730	—	—	—	52,730
Cash and cash equivalents	631,735	—	—	—	631,735
Trade receivable	—	—	—	1,300	1,300
Guarantees given to banks in connection with facilities granted to the Affected Entities					
– Facilities not yet drawn	100,000	—	—	—	100,000
– Facilities drawn					
– not yet past due	1,467,080	—	—	—	1,467,080
Amounts due from related parties	608,847	—	—	—	608,847
	<u>2,942,248</u>	<u>—</u>	<u>—</u>	<u>1,300</u>	<u>2,943,548</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Credit risk – CONTINUED

Maximum exposure and period-end staging – CONTINUED

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Financial assets included in prepayments, other receivables and other assets					
– Normal*	29,805	–	–	–	29,805
Financial assets included in other non-current assets					
– Normal*	289,772	–	–	–	289,772
Cash and cash equivalents	773,832	–	–	–	773,832
Amounts due from related parties	1,681	–	–	–	1,681
	<u>1,095,090</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,095,090</u>

\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type. There are no significant concentrations of credit risk within the Group.

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, lease liabilities (Year ended 31 December 2020: bank loans, lease liabilities) and other interest-bearing loans. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the eight months period, based on the contractual undiscounted payments, was as follows:

#### As at 31 August 2021

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	—	380	885	—	—	1,265
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	712,933	923,888	2,072,273	192,339	3,901,433
Trade payables	—	3,396	—	—	—	3,396
Amounts due to related parties	—	—	35,753	2,025,898	—	2,061,651
Guarantees given to banks in connection with facilities granted to the Affected Entities	—	200,000	399,000	868,080	—	1,467,080
Financial liabilities included in other payables and accruals	66,724	—	—	—	—	66,724
	<u>66,724</u>	<u>916,709</u>	<u>1,359,526</u>	<u>4,966,251</u>	<u>192,339</u>	<u>7,501,549</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021



### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

#### Liquidity risk – CONTINUED

As at 31 December 2020

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	—	8,485	8,924	70,297	225,410	313,116
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	473,934	1,366,925	1,363,173	173,556	3,377,588
Trade payables	—	80,055	—	—	—	80,055
Amounts due to related parties	—	—	21,659	—	—	21,659
Financial liabilities included in other payables and accruals	182,503	—	—	—	—	182,503
	<u>182,503</u>	<u>562,474</u>	<u>1,397,508</u>	<u>1,433,470</u>	<u>398,966</u>	<u>3,974,921</u>

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period.

The debt-to-asset ratio as at the end of the period/year is as follows:

	<b>31 August 2021</b>	31 December 2020
	<b>RMB'000</b>	RMB'000
Total liabilities	<b>4,051,418</b>	4,814,693
Total assets	<b>4,919,774</b>	7,586,747
Debt-to-asset ratio	<b>82%</b>	63%

## NOTES TO THE FINANCIAL STATEMENTS

31 August 2021

### 38. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (note 10).

### 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	<b>31 August 2021 RMB'000</b>	31 December 2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	9	21
Right-of-use assets	1,221	622
Investments in subsidiaries	307	307
Total non-current assets	<b>1,537</b>	950
CURRENT ASSETS		
Cash and cash equivalents	190,219	8,522
Prepayments and other receivables	358	1,443
Due from subsidiaries	798,541	807,156
Total current assets	<b>989,118</b>	817,121
CURRENT LIABILITIES		
Other payables	16,620	—
Lease liabilities	1,230	658
Dividend payable	74,741	10,398
Due to subsidiaries	191,060	16,630
Amount due to a related party	16,614	16,832
Total current liabilities	<b>300,265</b>	44,518
NET CURRENT ASSETS	<b>688,853</b>	772,603
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>690,390</b>	773,553
Net assets	<b>690,390</b>	773,553
Share capital	26,051	26,051
Reserves (note)	664,339	747,502
Total equity	<b>690,390</b>	773,553



### 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	1,033,031	—	1,033,031
Total comprehensive loss for the year	—	(65,906)	(65,906)
2019 final dividend declared	(112,480)	—	(112,480)
2020 interim dividend declared	(107,143)	—	(107,143)
At 31 December 2020 and 1 January 2021	<b>813,408</b>	<b>(65,906)</b>	<b>747,502</b>
Total comprehensive loss for the period	—	(18,647)	(18,647)
2020 final dividend declared	<b>(64,516)</b>	—	<b>(64,516)</b>
At 31 August 2021	<b>748,892</b>	<b>(84,553)</b>	<b>664,339</b>

### 40. EVENTS AFTER THE REPORTING PERIOD

The board of directors of the Company has approved the adoption of the Share Award Scheme (the "Scheme") on 9 October 2021 to recognise the contribution of certain Directors, senior management and employees of the Company and its subsidiaries, or other eligible participant(s). During the period from 22 October 2021 to 26 November 2021, the Trustee purchased an aggregate of 33,771,000 Shares on the market for the purpose of the Scheme. No shares were granted to any eligible participants in the Scheme by the date of this report.

The shareholders of the Company has approved the declaration and payment of a 2021 interim dividend of HK\$0.019 per ordinary share on 19 November 2021.

On January 5, 2022, the Group entered into agreements with the related parties which have agreed that the Group can extend to repay the payables of RMB2,025,898,000 in 5 years. The payables to the Affected Entities were unsecured and interest free.

### 41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 May 2022.

## DEFINITIONS

“Affected Entities”	the PRC Operating Entities providing compulsory education services, which the Group lost control since 31 August 2021
“Articles of Association” or “Articles”	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Cooperation Agreements”	the business cooperation agreements entered into by and among Tibet Huatai, Sichuan Derui, the PRC Operating Entities and the Registered Shareholders
“Chengdu Experimental Foreign Languages School”	Chengdu Experimental Foreign Languages School* (成都市實驗外國語學校), a private middle and high school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School (Western Campus)”	Chengdu Experimental Foreign Languages School (Western Campus)* (成都市實驗外國語學校(西區)), a private middle and high school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School of Quxian”	Chengdu Experimental Foreign Languages School of Quxian* Languages (渠縣成都市實驗外國語學校), a private middle school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School of Ya’an”	Chengdu Experimental Foreign Languages School of Ya’an* (雅安市兩城區成實外學校), a private primary and middle school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School of Chengdu Jinniu District”	Chengdu Experimental Foreign Languages School of Chengdu Jinniu District* (成都市金牛區實外高級中學有限公司), a private middle school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Experimental Foreign Languages School of Xindu Wulongshan”	Chengdu Experimental Foreign Languages School of Xindu Wulongshan* (成都實外新都五龍山學校), a private primary and middle school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 85% by Sichuan Derui, 15% by an independent third party

“Chengdu Foreign Languages High School of Deyang”	Chengdu Foreign Languages High School of Deyang* (德陽成外高級中學有限公司), a private high school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 40% by Sichuan Derui, 60% by an independent third party
“Chengdu Foreign Languages High School of Yibin”	Chengdu Foreign Languages High School of Yibin* (宜賓市成外高級中學有限公司), a private high school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly owned by Sichuan Derui
“Chengdu Foreign Languages School”	Chengdu Foreign Languages School* (成都外國語學校), a private school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Foreign Languages School of Deyang”	Chengdu Foreign Languages School of Deyang* (德陽成都外國語學校), a private primary and middle school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 40% by Sichuan Derui, 60% by an independent third party
“Chengdu Foreign Languages School of Panzhihua”	Chengdu Foreign Languages School of Panzhihua* (攀枝花市成都外國語學校), a private middle and high school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Chengdu Foreign Languages School of Xinjin”	Chengdu Foreign Languages School of Xinjin* (成都市新津區成外學校), a private primary and middle school under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 97% by Sichuan Derui, 3% by an independent third party
“Chengdu Foreign Languages School of Yibin”	Chengdu Foreign Languages School of Yibin* (宜賓市翠屏區成外學校), a private middle school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly owned by Sichuan Derui
“Chengdu Institute Sichuan International Studies University” or “University”	Chengdu Institute Sichuan International Studies University* (四川外國語大學成都學院), a private university established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 75.7% by Sichuan Derui, and 24.3% by Xinhua Winshare, each a school sponsor. Sichuan International Studies University* (四川外國語大學) is named as a school sponsor entitled to the rights stipulated under the articles of the University and the relevant PRC laws

## DEFINITIONS

“Company”	Virscend Education Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 1565)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely Mr. Yan Yude and Virscend Holdings
“Corporate Governance Code” or “CG Code”	Corporate Governance Code and Corporate Governance Report or “CG Code” contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Directors’ Powers of Attorney”	the school director’s power of attorney entered into by each of the directors of each PRC operating Entities in favor of Tibet Huatai
“Equity Pledge Agreements”	the equity pledge agreements entered into by and among the Registered Shareholders, Sichuan Derui and Tibet Huata
“Exclusive Call Option Agreements”	the exclusive call option agreements entered into by and among Sichuan Derui, the PRC Operating Entities and Tibet Huatai
“Exclusive Technical Service and Management Consultancy Agreements”	the exclusive technical service and management consultancy agreements entered into by and among Tibet Huatai and the PRC Operating Entities
“Foreign Investment Catalog”	the Guidance Catalog of Industries for Foreign Investment(《外商投資產業指導目錄(2015)》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 10 March 2015 and became effective from 10 April 2015 and is amended from time to time
“Gaokao”	also known as the National Higher Education Entrance Examinations, an academic examination held annually in the PRC
“Gaoxin Campus”	Chengdu Foreign Languages School Gaoxin Campus (成都外國語學校高新校區), a private high school established under the law of the PRC and a Consolidated affiliated entity of the Company, where the sponsors’ interest is wholly-owned by Sichuan Derui since September 2020
“Group”, “we”, “our” or “us”	the Company and its subsidiaries

“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hongdemingzhi Consulting”	Sichuan Hongdemingzhi Education Consulting Co., Ltd. (四川弘德明知教育諮詢有限公司) (previously known as Sichuan Hongming Property Co., Ltd.) (四川弘明置業有限公司), a limited company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“K-12”	preschool to grade twelve, also known as “fundamental education”
“Listing”	the listing of Shares on the Main Board of the Stock Exchange
“Listing Date”	15 January 2016, being the date on which the Shares of the Company are listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the loan agreements entered into by and among Tibet Huatai, Sichuan Derui and the PRC Operating Entities
“Meinian Campus”	Gaoxin Meinian Campus Attached to Chengdu Foreign Languages School* (成都外國語學校高新美年校區), a private primary school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 53% by Sichuan Derui, 47% by independent third parties
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MOE”	the Ministry of Education of China
“PRC” or “China”	The People’s Republic of China
“PRC Legal Advisors”	Jingtian & Gongcheng, the legal advisors of the Company as to the PRC laws
“PRC Operating Entities”	consolidated affiliated entities of the Company, namely, schools or institutions through which the Group conducts its our private education business
“Primary School Attached to Chengdu Foreign Languages School” or “Primary School”	Primary School attached to Chengdu Foreign Languages School* (成都外國語學校附屬小學), a private primary school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company

## DEFINITIONS

“Primary School Attached to Chengdu Experimental Foreign Languages School”	Primary School Attached to Chengdu Experimental Foreign Languages School* (成都市實驗外國語學校附屬小學), a private primary school established under the laws of the PRC, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Primary School of Chengdu Foreign Languages School of Yibin”	Primary School of Chengdu Foreign Languages School of Yibin* (宜賓市翠屏區成外附屬小學), a private primary school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly owned by Sichuan Derui
“Prospectus”	the prospectus of the Company dated 31 December 2015
“Registered Shareholders”	the shareholders of Sichuan Derui, namely Mr. Yan Yude, Ms. Yan Hongjia, Ms. Wang Xiaoying, Ms. Ye Jiaqi, Mr. Ye Jiayu, Ms. Yan Bixian, Ms. Yan Birong and Ms. Yan Bihui
“Reporting Period”	the eight months ended 31 August 2021
“RMB”	Renminbi, the lawful currency of the PRC
“School Sponsors’ and Directors’ Entrustment Agreements”	the school sponsors’ and directors’ rights entrustment agreements entered Rights into by and among the respective school sponsors, the PRC Operating Entities, the relevant directors appointed by the school sponsors and Tibet Huatai
“School Sponsors’ Powers of Attorney”	the school sponsor’s power of attorney entered into by the schoolsponsors in favor of Tibet Huatai
“SFO”	Securities and Futures Ordinance
“Share(s)”	share(s) of HK1.0 cent each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 28 December 2015
“Sichuan Derui”	Sichuan Derui Enterprise Development Co., Ltd.* (四川德瑞企業發展有限公司) (previously known as Sichuan Province Derui Enterprise Development Company* (四川省德瑞企業發展總公司)), a company established under the laws of the PRC, which is owned as to 69.44% by Mr. Yan Yude, 18.55% by Ms. Yan Hongjia, 3.00% by Ms. Wang Xiaoying, 2.65% by Ms. Ye Jiaqi, 1.59% by Mr. Ye Jiayu, 1.59% by Ms. Yan Bixian, 1.59% by Ms. Yan Birong and 1.59% by Ms. Yan Bihui
“Smart Ally”	Smart Ally International Limited, a Company incorporated in the BVI with limited liability on 12 May 2015 and wholly-owned by Ms. Wang Xiaoying, the spouse of Mr. Yan Yude and the step-mother of Ms. Yan Hongjia

“Southwest China”	comprises Sichuan, Guizhou and Yunnan Provinces and Chongqing Municipality
“Spouse Undertakings”	the spouse undertakings entered into by each of the respective spouse of the Registered Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meanings ascribed to it in the Listing Rules. For the avoidance of doubt, the Subsidiaries included PRC Operating Entities in the Prospectus
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Structured Contracts”	collectively, the Business Cooperation Agreements, the Exclusive Technical Service and Management Consultancy Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreement, the School Sponsors’ and Directors’ Rights Entrustment Agreements, the School Sponsors’ Powers of Attorneys, the Directors’ Powers of Attorneys, the Loan Agreements and the Spouse Undertakings
“Tibet Huatai”	Tibet Huatai Education Management Consulting Co., Ltd.* (西藏華泰教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC and a wholly-owned subsidiary of the Company
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“Virscend High School of Quxian”	Virscend High School of Quxian* (渠縣成實外高級中學有限公司), a private high school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
“Virscend Holdings”	Virscend Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability on 20 March 2015 and wholly-owned by Mr. Yan Yude, an executive Director and one of the Controlling Shareholders
“Wah Tai”	Wah Tai (HK) Investment Limited (香港華泰投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Wahtai (US)”	USA Wahtai Educational Consulting Services Inc., a company incorporated in the State of California, the United States, with limited liability and owned as to 51% by Wah Tai and 49% by two independent third parties

## DEFINITIONS

“Wulongshan Campus of Chengdu Experimental Foreign Languages School”	Wulongshan Campus of Chengdu Experimental Foreign Languages School* (成都市實驗外國語學校五龍山校區), a private high school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 45% by Sichuan Derui, 55% by two independent third parties
“Xichen Campus”	Primary school Attached to Chengdu Foreign Languages School (Xichen Campus)* (成都市金牛區成外附小西宸學校), a private primary school established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is wholly owned by Sichuan Derui
“Xinhua Winshare”	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司) (previously known as Sichuan Xinhua Winshare Chainstore Co., Ltd.* (四川新華文軒連鎖股份有限公司)), a joint stock limited company established under the laws of the PRC with limited liability whose shares are listed on the Stock Exchange (stock code: 0811)
“2021 Implementation Rules”	Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) promulgated by the PRC State Council, which came into effect on 1 September 2021
%	per cent

\* For identification purpose only