



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**

2023 | ANNUAL  
REPORT



# CONTENTS

Company Profile	2
Corporate Information	3
Financial Highlights	5
Chairwoman's Statement	7
Management Discussion and Analysis	10
Directors and Senior Management	25
Report of Directors	29
Corporate Governance Report	61
Independent Auditor's Report	79
Consolidated Statement of Profit or Loss	83
Consolidated Statement of Comprehensive Income	84
Consolidated Statement of Financial Position	85
Consolidated Statement of Changes in Equity	87
Consolidated Statement of Cash Flows	88
Notes to the Consolidated Financial Statements	90
Definitions	165



## COMPANY PROFILE

The Group is a leading provider of formal private education services. The Group conducted its business primarily through 15 entities providing high school, higher education and non-formal education services in five cities in Sichuan Province, China, Hong Kong SAR and Irvine, the United States. For academic year 2023-2024, the total student enrolment of the Group's self-operated schools was 30,339, with 8,455 students enrolled in the high-schools, 21,884 students enrolled in Chengdu International Studies College (formerly known as Chengdu Institute Sichuan International Studies University, the "**University**") and 9,903 students enrolled in our network schools, and we employed an aggregate of 1,481 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 expects to receive full accreditation in March 2024. Virscend University currently offers an Master of Business Administration program and has 43 students graduated since 2018.

We currently operate 9 high schools and one university in five cities in Sichuan Province, China. 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.

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

For Gaokao administered in 2023 (the "**2023 Gaokao**"), approximately 89.7% (2022: 94.7%) of graduates from the Flagship Schools who achieved scores that allowed them to apply for and be accepted by first-tier universities in China. 24 of their graduating high school students received offers from Peking University or Tsinghua University (2022: 47) and 83 of their graduating high school students were recommended for admission into first-tier universities without taking the Gaokao (2022: 75). Other than the Flagship Schools, for 2023 Gaokao, approximately 77.8% of graduates from the rest Chengshiwai Schools achieved scores that allow them to apply for university admission.

For students who are interested in attending colleges and universities overseas, the Group established international programs at various schools under which PRC/overseas standard high-school curriculum, overseas standardised college entrance examinations, language testing examinations or United States University Advanced Placement ("**AP**") course are offered to them. Such programs allow students to take overseas high-school curriculum taught by foreign teachers as well as PRC high-school curriculum taught by PRC teachers. In 2023, one high school graduate received offer to be admitted into Williams College which is the top liberal arts college in the United States while two high school graduates received offers to be admitted into Cambridge University in the United Kingdom. In 2023 and 2022, 168 and 145 of students received offers from the top 100 universities in the QS World University Rankings respectively.

The University currently offers 34 bachelor programs and 28 diploma programs. In 2023, according to WuShulian's "China Independent College and Private Universities Rankings", the University ranked 4th in literature majors, among all 397 independent colleges and private universities. The employment quality of our undergraduates and the rate of our undergraduate's pursuing further study both ranked 29th and 30th among all 397 independent colleges and private universities.

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

Mr. Deng Bangkai (*appointed on 31 March 2023*)  
Ms. Ho Yin Kwan (*resigned on 31 March 2023*)

## LEGAL ADVISORS

*As to Hong Kong law:*  
Morgan, Lewis & Bockius  
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

Elite Partners CPA Limited  
Certified Public Accountant  
10/F., 8 Observatory Road  
Tsim Sha Tsui  
Kowloon  
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. 18 Sandongqiao Road  
Jinniu District  
Chengdu  
The PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 02, 8/F  
Tung Che Commercial Centre  
246 Des Voeux Road West  
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](mailto:ir@virscendeducation.com)  
Address: No. 18 Sandongqiao Road, Jinniu 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

Result of operation					
	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the eight months ended 31 December 2021 RMB'000	For the year ended 31 August 2022 RMB'000	For the year ended 31 August 2023 RMB'000
Revenue	1,493,032	372,696	253,546	551,118	<b>762,268</b>
Gross profit/(loss)	596,722	109,434	(656)	167,607	<b>251,775</b>
Profit/(loss) for the year/period	408,055	(140,842)	(198,855)	3,891	<b>38,561</b>
Adjusted net profit/(loss) ( <i>note</i> )	420,201	(10,802)	(107,051)	12,091	<b>57,221</b>
Adjusted net profit/(loss) attributable to owners of the parent ( <i>note</i> )	409,286	406	(102,908)	19,886	<b>50,923</b>
Basic earning per share (RMB)	0.13	0.07	(0.58)	0.00	<b>0.01</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, 3) amortization of intangible assets arising from the acquisition of school, and 4) gain on disposal of an associate.

Financial ratio					
	For the year ended 31 December 2019	For the year ended 31 December 2020	For the eight months ended 31 December 2021	For the year ended 31 August 2022	For the year ended 31 August 2023
Gross profit/(loss) margin (%)	40.0%	29.4%	-0.3%	30.4%	<b>33.0%</b>
Net profit/(loss) margin (%)	27.3%	-37.8%	-78.4%	0.7%	<b>5.1%</b>
Adjusted net profit/(loss) margin (%)	28.1%	-2.9%	-42.2%	2.2%	<b>7.5%</b>

The financial data for the year ended 31 December 2020, the eight months ended 31 August 2021, and the year ended 31 August 2022 and 2023 only contains continuing operations.

## FINANCIAL HIGHLIGHTS

<b>Assets and liabilities</b>					
	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 August 2021 RMB'000	As at 31 August 2022 RMB'000	As at 31 August 2023 RMB'000
Non-current assets	5,395,136	6,712,764	3,559,905	3,494,838	<b>3,510,881</b>
Current assets	934,815	873,983	1,358,869	471,301	<b>1,024,382</b>
Current liabilities	2,234,213	3,129,198	3,083,102	1,294,850	<b>1,755,561</b>
Net current liabilities	(1,299,398)	(2,255,215)	(1,724,233)	(823,549)	<b>(731,179)</b>
Total assets less current liabilities	4,095,738	4,457,549	1,835,672	2,671,289	<b>2,779,702</b>
Non-current liabilities	1,341,671	1,685,495	974,816	1,872,947	<b>1,936,936</b>
Total equity	2,754,067	2,772,054	860,856	798,342	<b>842,766</b>
Property, plant and equipment	4,121,145	4,509,076	2,360,938	2,448,030	<b>2,643,837</b>
Cash and cash equivalents	394,386	773,832	631,735	389,265	<b>756,413</b>
Contract liabilities/Deferred revenue	861,780	1,062,362	428,516	580,495	<b>753,100</b>
Interest-bearing bank and other borrowings	1,944,903	3,150,808	1,334,360	1,426,687	<b>2,117,208</b>

<b>Financial ratio</b>					
	As at 31 December 2019	As at 31 December 2020	As at 31 August 2021	As at 31 August 2022	As at 31 August 2023
Current ratio	0.42	0.28	0.44	0.36	<b>0.58</b>
Gearing ratio ( <i>note</i> )	70.6%	113.7%	155.0%	178.7%	<b>251.2%</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 and other borrowings.

<b>Cash flows</b>					
	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the eight months ended 31 December 2021 RMB'000	For the year ended 31 August 2022 RMB'000	For the year ended 31 August 2023 RMB'000
Net cash from operating activities	915,718	820,965	819,347	256,774	<b>251,651</b>

# CHAIRWOMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board, I hereby present the annual report of the Group for the year ended 31 August 2023.

## RESULTS AND DIVIDENDS

The Group's audited adjusted net profit for the year ended 31 August 2023 was RMB57.2 million representing an increase of RMB45.1 million compared to the corresponding year ended 31 August 2022. Revenue for the year ended 31 August 2023 increased to RMB762.3 million representing an increase rate of 38.3%.

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

## 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 year ended 31 August 2023, the total number of the high school students of the Group is 6,871, representing a growth rate of 54.4%.

Leveraged on the Group's credential in operating schools, the Group provided educational management and consultation services to thirteen schools including one public high school, two public K-9 schools, one public K-12 school, two private K-12 schools and seven privately owned kindergartens in Sichuan.



## CHAIRWOMAN'S STATEMENT



### Higher Education

In 2023, according to WuShulian's "China Independent College and Private Universities Rankings", the University ranked 4th in literature majors among all 397 independent colleges and private universities. The employment quality of our undergraduates and the rate of our undergraduate's pursuing further study both ranked 29th and 30th among all 397 independent colleges and private universities. For the year ended 31 August 2023, the total number of university students is 20,284, representing an increase rate of 9.5%.

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

### 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.

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.

Non-educational 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, 29 November 2023

# 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 noncompulsory education.

In 2022/2023, the Group opened two new high schools providing formal education services and two non-formal education institutions in Chengdu City, Sichuan Province, the PRC. As at 31 August 2023, the Group conducted its business primarily through 15 entities providing high school, higher education and non-formal education services in five cities in Sichuan Province, China, Hong Kong SAR and Irvine, the United States. Those 15 entities are categorized based on the table disclosed on page 17 of this annual report. Through these schools, the Group primarily offer formal education with comprehensive education programs.

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

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

### High School Student Placement

All Chengshiwai Schools are stand-alone legal entities but still operating with the same brands as “branch campus” of Chengdu Foreign Languages School and Chengdu Experimental Foreign Languages School which are the two Flagship Schools.

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

Other than the Flagship Schools, for 2023 Gaokao, approximately 77.8% of graduates from the rest Chengshiwai Schools achieved scores that allow them to apply for university admission. Such a ratio well exceeded the average university admission rate of schools in Sichuan Province.

For students who are interested in attending colleges and universities overseas, the Group established international programs at various schools under which PRC/overseas standard high-school curriculum, overseas standardised college entrance examinations, language testing examinations or United States University AP course are offered to them. Such programs allow students to take overseas high-school curriculum taught by foreign teachers as well as PRC high-school curriculum taught by PRC teachers. In 2023, one high school graduate received offer to be admitted into Williams College which is the top liberal arts college in the United States while two high school graduates received offers to be admitted into Cambridge University in the United Kingdom. In 2023 and 2022, 168 and 145 of students received offers from the top 100 universities in the QS World University Rankings respectively.

Besides, in 2023, 74 students from Chengshiwai Schools (2022: 59) won first prize in provincial academic contests including mathematics, physics, chemistry, biology and information science (“**Five Academic Contests**”). 15 of Chengshiwai Schools students (2022: 11) were elected into the Sichuan provincial contests teams. Furthermore, four of Chengshiwai Schools students (2022: three) won the gold medal in national Five Academic Contests, two of Chengshiwai Schools students (2022: three) were elected into the national team.

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

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

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

The University currently offers 34 bachelor programs and 28 diploma programs. In 2023, according to WuShulian’s “China Independent College and Private Universities Rankings”, the University ranked 4th in literature majors, among all 397 independent colleges and private universities. The employment quality of our undergraduates and the rate of our undergraduate’s pursuing further study both ranked 29th and 30th among all 397 independent colleges and private universities.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Tuition and Other Ancillary Education Fee

During the year ended 31 August 2023, the Group has witnessed growth of the schools operated by the Group in terms of revenue. Revenue increased from RMB551.1 million for the year ended 31 August 2022 to RMB762.3 million for the year ended 31 August 2023. The Group generated its revenue from (i) student fees and (ii) management and consultation services provided to several government owned public schools. Student fees are typically comprised of tuition fees, boarding fees and consultation services fees for overseas studies.

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

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

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

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

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



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

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

*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.

### Student Enrollment

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

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

### Teachers

	2022/2023	2021/2022
Total number of teachers	1,481	1,319

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

For academic year 2022/2023, the Group had 1,481 teachers, of which all hold a bachelor's degree or above, and approximately 54.5% hold a master's degree or above. Most of our teachers are full-time teachers. The Group also values the recognition bestowed upon teachers who have achieved teaching excellence.

Approximately 21.0% of our teachers held the advanced teaching qualification, and 74 of our teachers were recognised as exceptional teachers. The Group offers mandatory and continuing training courses and seminars to our teachers and offers mandatory professional teaching technique training courses for newly hired teachers.

### Future Development

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

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

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

The Group has already opened two high schools in Chengdu City and one new high school in Meishan, Sichuan province.



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

**School Utilisation**

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

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

**Tuition Fee**

On 15 May 2020, the Education Department of Sichuan Province and two other departments issued the “Notice on Improving the Price Management of Private Higher Education Institution and Strengthening Operational and Post-operational Oversight in our Province” (《關於完善我省民辦高校價格管理方式加強事中事後監督的通知》), which set out opinions and requirements in respect of determining tuition fee of higher education institutions and permitted such institutions to adjust the tuition fee and related fees every three years since September 2020. Based on the new policies, the tuition fees for new undergraduate and diploma students of University increased to RMB17,000 and RMB15,000 since 2020/2021 academic year. And the upcoming tuition fee adjustment is anticipated to be effective since academic year 2024/2025.

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

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

Category of schools	Current tuition fee standard
High school	Range from RMB30,000 to RMB59,800
University	Range from RMB12,000 to RMB15,000 (diploma) Range from RMB14,000 to RMB20,000 (bachelor)
High-school international program	Range from RMB96,000 to RMB148,000

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

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

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

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

Since 2022, the Group expanded educational product layout. In addition to the traditional Anglo-American international program, the Group were also expanding our international education program in Europe and Asia. At the same time, the Group also built matrix academic expansion projects and social practice projects based on the school curriculum.

The international department also expanded its business by offering overseas study consulting services to our customers since later 2019 and recorded revenue of RMB7.0 million in 2022/2023 school year.

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

#### *a. 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 2023, the Group provided education management and consultation services to totally thirteen schools including seven kindergartens, five K9/K12 schools and one public high school.



b. *One stop comprehensive education program*

The Group has been cooperating with certain commercial property owners to establish one-stop comprehensive education program in commercial complex with a floor area of approximately 5,000 to 10,000 square meters where various types of tailor-made education services will be offered to both the parents and their children simultaneously. In addition, it provides curriculum and management output services for institutions and individuals who intend to invest in the education program. The high-quality education courses independently developed and iterated by the Group offered among others, Chinese traditional culture, STEAM (Science, Technology, Engineer, Arts and Mathematics) and sports. The daily management of enrollment, recruitment, teaching and research of all educational projects implements the operation mode of unified scheduling of the complex but relatively independently operation of sub-projects. The Group recorded revenue of RMB20.2 million in 2022/2023 academic year.

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 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

#### Revenue

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

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

#### Cost of Sales

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

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

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

### Gross Profit and Gross Profit Margin

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

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

### Selling and Distribution Expenses

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

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

### Administrative Expenses

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Income and Gains

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

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

### Other Expenses and Other Losses

Other expenses and other losses consist primarily of allowance for credit losses on financial assets, foreign exchange difference, and disposal of various fixed assets.

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

### Finance Costs

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

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

### Unaudited Adjusted Net Profit/(Loss)

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

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

### EVENTS AFTER THE REPORTING PERIOD

In September 2023, the University had obtained final approval from the MOE for conversion with new school name "Chengdu International Studies College" ("成都外國語學院") and change of its sponsor to Chengdu Yiaobang Commerce & Trade Co., Limited which is a wholly owned subsidiary of Sichuan Derui. No consideration shall be paid by the Group.

### 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 2023, 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 2023 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 2023, certain bank balances were denominated in HKD and USD. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Significant Investments, Acquisitions and Disposals

Save as disclosed in this annual report, there were no significant investments held as at 31 August 2023, 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:

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

### Gearing Ratio

The gearing ratio of the Group, which was calculated as total bank and other borrowings divided by total equity as at the end of the period, increased from approximately 178.7% as at 31 August 2022 to approximately 251.2% as at 31 August 2023, primarily due to the increase in the Group's interest-bearing bank and other borrowings.

### Contingent Liabilities

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

### Pledge of Assets

As at 31 August 2023, RMB61.5 million (31 August 2022: RMB40.8 million) were paid to third party leasing companies as pledged deposits for certain borrowings, which will be repaid after settling those borrowings in 3 years.

### Human Resources

As at 31 August 2023, the Group had 1,904 employees (31 August 2022: 1,623).

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

The total remuneration cost incurred by the Group for the year ended 31 August 2023 was approximately RMB275.4 million (for the year ended 31 August 2022: RMB228.3 million).



# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Ms. Wang Xiaoying (王小英)**, aged 62, 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 64, 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 62, 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 42, was appointed as the executive Director and chief operating officer on 15 November 2018 and as the company secretary of the Company on 31 March 2023. 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 17 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. Mr. Deng also serves as guest mentor of postgraduate from public finance and taxation school of Southwestern University of Finance and Economics.

## DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-executive Directors

**Mr. Sit Chiu Wing (薛超穎)**, aged 73, 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 (陳劍燊)**, aged 42, 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 the finance controller and from September 2012 to September 2014 as the 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 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. Chan was 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) from 16 April 2018 to 15 September 2023.

**Mr. Wen Ruizheng (溫瑞征)**, aged 79, 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).

### Senior Management

**Mr. Gu Daili (古代禮)**, aged 51, 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 management of education and teaching 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 standing committee member and municipal propaganda minister 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 37 and a member of the Jiusan Society, assumed the role of Vice President at the Company on November 21, 2018. Dr. Yan's primary responsibilities encompass overseeing international education, preschool education, and non-subject-based tutoring services. Additionally, she holds a key role in the Company's business development, mergers & acquisitions, and related activities. Before joining the Company, Dr. Yan served as a lecturer at York University in the United Kingdom.

Dr. Yan's academic journey includes earning a Bachelor's degree in Statistics and Operations Research from Hong Kong Baptist University in 2009. She subsequently pursued a Master's degree in Operations Research and Business Statistics from the same university in 2010. Dr. Yan furthered her education by obtaining a Doctorate in Mathematics from York University in 2014, where she received a full scholarship.

In addition to her corporate role, Dr. Yan is actively engaged in various academic and organizational capacities. She serves as a guest professor and mentor for postgraduate students at Southwest Jiaotong University, a guest professor at Southwestern University of Finance and Economics, and the chair of the Sichuan Silk-Road Youth International Communication Center. Dr. Yan is also a committee member of both the Sichuan Federation of Industry and Commerce and the Sichuan Youth Federation, Delegate to the 13th National Women's Congress, and Chengdu Municipal Political Consultative Conference Member Recognizing her outstanding contributions, Dr. Yan was honored as the Sichuan Woman Pace-setter (四川省三八紅旗手) for the year 2021 in March 2022.

It is noteworthy that Dr. Yan is the daughter of Mr. Yan Yude, who holds the positions of executive Director and chief executive officer within the Company.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Li Jun (李俊)**, aged 37, 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*

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 year ended 31 August 2023 is set out in note 1 to the financial statements.

## **SUBSIDIARIES**

Details of the principal subsidiaries of the Company as at 31 August 2023 are set out in note 1 to the financial statements.

## **RESULTS**

The results of the Group for the year ended 31 August 2023 are set out in the consolidated statement of profit or loss on pages 83 to 84 of this annual report.

## **BUSINESS REVIEW**

A review of the business of the Group during the year ended 31 August 2023 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 24 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 38 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.

## REPORT OF DIRECTORS

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 AND SPECIAL DIVIDEND

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

### 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 Tuesday, 23 January 2024 to Friday, 26 January 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Friday, 26 January 2024, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 22 January 2024.

The register of members of the Company will also be closed from Thursday, 1 February 2024 to Friday, 2 February 2024, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend and the special dividend, during which period no share transfers will be registered. To qualify for the final dividend and the special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 31 January 2024.

## 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 year ended 31 August 2023, 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 year ended 31 August 2023, the Group’s five largest suppliers accounted for 65.5% of the Group’s total purchases and the Group’s single largest supplier accounted for 21.1% of the Group’s total purchases.

For the year ended 31 August 2023, 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.

## REPORT OF DIRECTORS

### 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 year ended 31 August 2023, 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 year ended 31 August 2023 are set out in note 13 to the financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 August 2023 are set out in note 30 to the financial statements.

### RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 August 2023 are set out in the consolidated statement of changes in equity on page 87 of this annual report and note 31 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 2023, the Company's reserve available for distribution was nil (as at 31 August 2022: nil).

### INTEREST BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 31 August 2023 are set out in note 27 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, each of Ms. Wang Xiaoying, Mr. Sit Chiu Wing and Mr. Wen Ruizheng shall retire by rotation, and being eligible, has offered himself/herself 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 28 December 2023.

## **BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and senior management of the Company are set out on pages 25 to 28 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 year ended 31 August 2023 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.

## REPORT OF DIRECTORS

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 year ended 31 August 2023.

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 year ended 31 August 2023.

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 year ended 31 August 2023.

### 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 year ended 31 August 2023.

### 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 2.3 to the financial statements.

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

As at 31 August 2023, 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	1,388,132,045	Long position	44.94
Ms. Wang Xiaoying <sup>(2)</sup>	Interest of spouse and, interest in a controlled corporation	1,388,132,045	Long position	44.94
Mr. Deng Bangkai	Beneficial owner	1,100,000	Long position	0.04

*Notes:*

- (1) Mr. Yan Yude is the sole shareholder and sole director of Virscend Holdings and he is therefore deemed to be interested in 1,320,632,045 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 1,320,632,045 Shares indirectly held by Mr. Yan Yude through Virscend Holdings.

Save as disclosed above, as at 31 August 2023, 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.

## REPORT OF DIRECTORS

### 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 2023, 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	1,320,632,045	Long position	42.76
Bank of China Limited	Security interest	458,876,100	Long position	14.86
Happy Venus Limited <sup>(1)</sup>	Beneficial owner	183,144,129	Long position	5.93
Ms. Yan Hongjia <sup>(1)</sup>	Interest in a controlled corporation	183,144,129	Long position	5.93

Note:

- (1) 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 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.



## SHARE OPTION SCHEME

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

Eligible persons include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”), any proposed employee, any full-time or parttime 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. Pursuant to the amendments to Listing Rules with effect from 1 January 2023, the eligible persons under the Share Option Scheme are subject to Rule 17.03A of the Listing Rules.

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.

## REPORT OF DIRECTORS

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is around 2 years and 1 months.

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

The number of options available for grant under the Share Option Scheme at the beginning and the end of the Reporting Period is 300,000,000.

## SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 9 October 2021 as a means to recognize the contributions of certain Directors, senior management and employees of the Company and its subsidiaries, or other eligible participant(s) and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The individuals eligible to be granted award(s) thereunder include any Director (whether executive or non-executive), senior management and employee of the Company and its subsidiaries and any other person whom the Board believes to have contribution or will contribute to the Group and has a direct or significant impact on the long-term development of the Group, but excluding the following persons: (i) any seconded employee, part-time employee or non-full time employee of the Group; (ii) any employee of the Group who at the relevant time has given or been given notice terminating his employment, office or directorship as the case may be; and (iii) any other person that the Board may determine from time to time. Pursuant to the amendments to Listing Rules with effect from 1 January 2023, the eligible persons under the Share Award Scheme are subject to Rule 17.03A of the Listing Rules.

The Board shall not make any further award which will result in the number of Shares administered under the Share Award Scheme to exceed in total 10% of the Company's issued share capital as at 9 October 2021, the date on which the Share Award Scheme is adopted by the Company, being 308,876,100 Shares, representing 10% of the Company's issued share capital as at the date of this annual report.

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 Share Award Scheme shall be subject to administration of the Board and the Trustee in accordance with the Share Award Scheme rules and the trust deed dated 10 October 2021. As at 31 August 2023 and the date of this annual report, 45,650,000 Shares have been purchased and held by the Trustee for the purpose of the Share Award Scheme.

Unless approved by the Shareholders in a general meeting, the maximum number of awarded shares which may be subject to an award or awards made to a single selected participant in any 12-month period shall not in aggregate exceed 1.0% of the issued share capital of the Company as at 9 October 2021, the date on which the Share Award Scheme is adopted by the Company.

Any awarded shares shall vest in the relevant selected participant(s) in accordance with the vesting schedule determined by the Board at its sole discretion, subject to (a) satisfaction of any vesting conditions specified in the grant letter; (b) the selected participant remaining an eligible participant at the time when the relevant awarded shares are scheduled to vest according to the relevant vesting schedule; and (c) the selected participant not having been summarily dismissed by the Group, not having been bankrupt or failed to pay his debts, not having been convicted for any criminal offence and not having been charged, convicted or held liable for any offence under the SFO or any other similar applicable laws or regulations in force from time to time.

The Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 9 October 2021, the date on which the Share Award Scheme is adopted by the Company, after which period no further awards shall be offered or granted but the provisions of the Share Award Scheme shall remain in full force and effect in all other respects. The Share Award Scheme shall terminate on the earlier of (i) the tenth (10th) anniversary date of the adoption date; and (ii) such date of early termination as determined by the Board of the Company, provided that such termination shall not affect any subsisting rights of any selected participant(s). The remaining life of the Share Award Scheme is around 7 years and 10 months.

No awards were granted to any selected participants in the Share Award Scheme since it was adopted and as at the date of this annual report.

The number of awards available for grant under the Share Award Scheme at the beginning and the end of the Reporting Period is 308,876,100.

The total number of new Shares available for issue under the Share Award Scheme utilising the general mandate granted by the Shareholders at the annual general meeting of the Company is 263,226,100, representing approximately 8.52% of the issued Shares as at the date of this annual report.

Since there was no grant of option or award under schemes of the Company, the number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Reporting Period divided by weighted average number of Shares in issue for the Reporting Period is not applicable.

## REPORT OF DIRECTORS

### EQUITY LINKED AGREEMENTS

Save as disclosed in the sections headed “Share Option Scheme” and “Share Award Scheme” of this annual report, during the year ended 31 August 2023, 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 year ended 31 August 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

### 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 2023, save for the Waiver (as defined below) granted, 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 (the “**Non-competition Undertaking**”). For details of the Non-Competition Undertaking, please refer to the Prospectus.

On 28 April 2023, the Board (including all independent non-executive Directors) resolved that Tibet Huatai shall grant a waiver to Sichuan Derui and the Registered Shareholders from strict compliance with his/her/its obligations under the Non-competition Undertaking (as defined below) in respect of (i) the disposal of the private high school business of the Wulongshan Campus of Chengdu Experimental Foreign Languages School (成都市實驗外國語學校五龍山校區) (the “**Wulongshan High School**”) from the Company to the new school (the “**New Wulongshan School**”) established by consolidation of the Wulongshan High School and Chengdu Experimental Foreign Languages School of Xindu Wulongshan (成都實外新都五龍山學校), and (ii) the direct or indirect school sponsors’ interest that Sichuan Derui and the Registered Shareholders continue to hold in the New Wulongshan School after completion of such disposal (the “**Waiver**”). For details of the Waiver, please refer to the announcement of the Company dated 28 April 2023.

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, save for the Waiver granted, 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 year ended 31 August 2023, 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 year, 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) Lease Agreement and Integrated Management Services Agreement

On 30 November 2022, Tibet Huatai, a wholly-owned subsidiary of the Group, entered into the Lease Agreement and the Integrated Management Services Agreement with Tianren Hotel, pursuant to which Tianren Hotel agreed to lease certain properties to Tibet Huatai as its office premise and provide integrated management services in relation to the certain properties for a term of three years from 1 December 2022 to 30 November 2025. For details of Lease Agreement and Integrated Management Services Agreement, please refer to the announcement dated 30 November 2022.

The table below sets out the details regarding the Lease Agreement and the Integrated Management Services Agreement.

	Lessee	Lessor	Duration of the lease	Description and use of the property leased	Annual amount paid for the year ended 31 August 2023 RMB'000
Lease Agreement	Tibet Huatai	Tianren Hotel	For a term of three years commencing from 1 December 2022 to 30 November 2025	<p>The Property located at floor 5 and 8 of Tianren Hotel at No 18 Sandongqiao Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, with a total gross floor area of 2,300 square meters.</p> <p>For the first year (i.e. 1 December 2022 to 30 November 2023), the rent of the Property is RMB115/sq.m. per month (tax exclusive). Tianren Hotel has offered a one-month rent-free period from 1 December 2022 to 31 December 2022 for Tibet Huatai to conduct office decoration.</p> <p>For the second year (i.e. 1 December 2023 to 30 November 2024) and the third year (i.e. 1 December 2024 to 30 November 2025), the monthly rent during the each year will increase by 5% over that of the preceding year.</p> <p>Tibet Huatai paid Tianren Hotel a deposit of RMB500,000 on the date of the Lease Agreement.</p>	2,015

## REPORT OF DIRECTORS

	<b>Service Acceptor</b>	<b>Service Provider</b>	<b>Duration of the integrated management service</b>	<b>Description and use of the integrated management services</b>	<b>Annual amount paid for the year ended 31 August 2023 RMB'000</b>
Integrated Management Services Agreement	Tibet Huatai	Tianren Hotel	For a term of three years commencing from 1 December 2022 to 30 November 2025	<p>Tianren Hotel shall provide (i) management services in relation to the Property, including but not limited to the maintenance and management of the common parts of the property, the maintenance, management and repair of the common facilities, cleaning, security, and car parking; and (ii) catering services.</p> <p>(i) Management fee of RMB25/sq.m. per month, comprised of (a) property management fee of RMB12/sq.m. per month, to be increased by 5% per year starting from the second year; (b) central air conditioning fee of RMB10/sq.m. per month; and (c) utilities fee of RMB3/sq.m. per month, to be increased by 5% per year starting from the second year; and</p> <p>(ii) Catering service fee of RMB2,800 per meal, which is calculated based on RMB35/person per meal and assuming there will be 80 persons taking meals.</p> <p>Tibet Huatai paid Tianren Hotel a deposit of RMB100,000 on the date of the Integrated Management Services Agreement.</p>	596

The rent payable per annum of the Lease Agreement was determined after arm's length negotiations between Tianren Hotel and Tibet Huatai, taking into consideration of the prevailing market price of comparable premises in the vicinity of the Property. An independent property valuer Asia-Pacific Consulting and Appraisal Limited engaged by the Group has opined that rental levels in the Lease Agreement is reasonable. Meanwhile, the integrated management service fees (including the management fee and the catering service fee) were arrived at after arm's length negotiation between Tibet Huatai and Tianren Hotel taking into consideration of the prevailing market conditions and the prices announced by the government in relation to energies, such as water and electricity. An independent property valuer Asia-Pacific Consulting and Appraisal Limited engaged by the Company has opined that management fees to be charged in the Integrated Management Services Agreement is reasonable.

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. Tianren Hotel is owned as to 99.10% 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.

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.

## REPORT OF DIRECTORS

### (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.

(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.

## REPORT OF DIRECTORS

### (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**”).

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.

## REPORT OF DIRECTORS

### 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 year ended 31 August 2023	For the year ended 31 August 2022	For the year ended 31 August 2023	For the year ended 31 August 2022	For the year ended 31 August 2023	For the year ended 31 August 2022
PRC Operating Entities	<b>96.3%</b>	95.6%	<b>178.0%</b>	420.3%	<b>79.5%</b>	62.8%

\* 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 year ended 31 August 2023	Assets RMB'000 For the year ended 31 August 2023
PRC Operating Entities	<b>733,826</b>	3,605,689



## 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.

### 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.

## REPORT OF DIRECTORS

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 2023 and up to the date of this annual report.

Given that as at 31 August 2023 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.

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

In March 2021, Virscend University received “Candidacy” status from WASC and expects to receive full accreditation in March 2024. Virscend University currently offers Master of Business Administration program and has graduated 43 students as of December 2023.

On November 16, 2016, The California Bureau for Private Postsecondary Education (“**BPPE**”) has approved Virscend University to grant 2-degree programs, Bachelor of Science in Business Administration (BS) and Master of Business Administration (MBA) programs. Virscend University is in the process of gaining accreditation from WSCUC, the most prestigious accreditation body in higher education in the West region of the United States. The University received Eligibility Status from WSCUC on June 3rd 2019 and Candidacy for Accreditation on March 3rd 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.

In October 2022 Virscend University submitted a Substantive Change proposal to WASC for approval to offer online MBA program. In November 2023 Virscend University submitted the revised proposals for both online MBA and BS programs. Both applications are currently pending WASC approval.

Form I-17 petition for certification and enrollment in SEVIS was reviewed and approved by The Student and Exchange Visitor Program (SEVP) on June 30, 2022. Virscend University are permitted to issue I-20 to prospective or continuing nonimmigrant students. As of December 2023, Virscend University successfully recruits 3 international students in Spring 2024.

After receiving the full accreditation in March 2024, Virscend University will launch Master of Science in Hospitality Technology Management (MSHTM), Master of Science in Business Analytics (MSBA) and Doctor of Business Administration (DBA). Virscend University is in the development to recruit the first cohort of MBA program (Global) in South Korea starting in Fall 2024.



#### 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 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

- (iii) 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.



(iv) 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.

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.

## REPORT OF DIRECTORS

### **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 year ended 31 August 2023, 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;
- (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

## REPORT OF DIRECTORS

- (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 High School of Renshou. It 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.

### 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.

### Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the aforesaid Structured Contracts (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.

### Confirmation of auditor of the Company

Elite Partners CPA Limited, 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, Elite Partners CPA Limited confirmed that:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company.
- b. nothing has come to their attention that causes them 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 their attention that causes them to believe that dividends or other distributions have been made by Chengdu Experimental Foreign Languages High School of Chengdu Jinniu District, Chengdu Foreign Languages High School of Deyang, Virscend High School of Chengdu Xinjin District, Chengdu Experimental Foreign Languages High School of Sichuan Tianfu New Area, Chengdu Institute Sichuan International Studies University, Wulongshan Campus of Chengdu Experimental Foreign Languages School, Virscend High School of Quxian, Virscend High School of Ya'an, Chengdu Foreign Languages High School of Yibin, Chengdu Foreign Languages High School of Chengdu Hi-tech Zone, Chengdu Foreign Languages High School of Renshou, Chengdu Jiaying Wentai Education Consulting Co., Ltd, Chengdu Fanmao Nursery Service Co., Ltd., Chengdu Jiaying Ruitai Education Consulting Co., Ltd, Chengdu High-tech Zone Jiayingtai Art Training School, Chengdu Jiataihua Education Consulting Co., Ltd., Chengdu Pid District Jiataihua Education and Training School, Sichuan Silk Road International Communication Center for Teenagers, Chengdu Xiyue Jiatai Education Management Co., Ltd, Chengdu Jinjiang Fanmao Nursery Service Co., Ltd., Chengdu Kejiatai Education Management Co., Ltd., and Chengdu Xirui jiahong Education Management Co., Ltd. ("**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, nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

Elite Partners CPA Limited 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.

## REPORT OF DIRECTORS

### Connected Transaction

On 28 April 2023, the Board (including all independent non-executive Directors) resolved that Tibet Huatai shall grant a Waiver to Sichuan Derui and the Registered Shareholders from strict compliance with his/her/its obligations under the Non-competition Undertaking (as defined below) in respect of (i) the disposal of the private high school business of the Wulongshan High School from the Company to the New Wulongshan School, and (ii) the direct or indirect school sponsors' interest that Sichuan Derui and the Registered Shareholders continue to hold in the New Wulongshan School after completion of such disposal. Please refer to the announcement of the Company dated 28 April 2023 for details of the connected transaction.

Sichuan Derui is a company established under the laws of the PRC on 3 January 1993, 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. Sichuan Derui holds the school sponsors' interests in several schools engaging in provision of, among others, compulsory education businesses. The Registered Shareholders consist of the above shareholders of Sichuan Derui. Mr. Yan Yude is a Director and a Controlling Shareholder. Ms. Wang Xiaoying and Mr. Ye Jiayu are Directors. Ms. Yan Hongjia, Ms. Ye Jiaqi, Ms. Yan Bixian, Ms. Yan Birong and Ms. Yan Bihui are associates of Mr. Yan Yude, Ms. Wang Xiaoying and Mr. Ye Jiayu. Therefore, Sichuan Derui and the Registered Shareholders are connected persons to the Company.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 August 2023 are set out in note 35 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 year ended 31 August 2023, 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 year ended 31 August 2023 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 year ended 31 August 2023 will be available on its website and the Stock Exchange's website at the same time as the publication of this annual report.

## 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

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

## 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 year ended 31 August 2023.

## 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 61 to 78 of this annual report.

## 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.

## REPORT OF DIRECTORS

### AUDITOR

Elite Partners CPA Limited was appointed as the auditor of the Company for the year ended 31 August 2023 at the annual general meeting of the Company held on 24 February 2023. The accompanying financial statements prepared in accordance with IFRSs have been audited by Elite Partners CPA Limited.

Elite Partners CPA Limited shall retire at AGM and being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Elite Partners CPA Limited as auditor of the Company will be proposed at the AGM.

### 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, 29 November 2023



# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 August 2023.

## CORPORATE CULTURE

As a leading provider of high school and university private education services in Southwest China, the Group instils a culture that respects and promotes innovation, sustainability, good corporate governance and compliance with relevant laws and regulations. The Board sets the tone and shapes the corporate culture of the Company, which is underpinned by the Group's vision of sustainable growth, and the core values of acting lawfully, ethically and responsibly across all levels of the Group. The Board plays a leading role in defining the purpose, values and strategic direction of the Group and in fostering a culture that is forward looking, change embracing and competitiveness focused. The desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders. The Board oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible whistleblowing framework, legal and regulatory compliance (including compliance with the employee's code of conduct and corporate governance policies of the Group), as well as staff safety, wellbeing and support. Taking into account the corporate culture in a range of contexts, the Board considers that the culture and the purpose, value and strategy of the Group are aligned.

## 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 the principles and all applicable code provisions under the CG Code during the year ended 31 August 2023. 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.

## CORPORATE GOVERNANCE REPORT

### 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

#### 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 year ended 31 August 2023, 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 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.

### Gender Diversity of Workforce

As at 31 August 2023, the Board consists of six male members and one female member, the total number of employees of the was 1,904, and the percentage of male employees and female employees was 35% and 65%, respectively. The Group adheres to an employment policy of equality and diversity. We oppose any discriminatory, including gender discrimination, and are committed to gender diversity in our workforce. Details of the Group's gender diversity at workforce level are set out in the Group's standalone 2023 Environmental, Social and Governance Report.

### 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.

## CORPORATE GOVERNANCE REPORT

The record of professional training received by the Directors during the year ended 31 August 2023 is as follows and each of the Directors has complied with code provision C.1.4:

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

### 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.

## CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2023, five Board meetings, one annual general meeting was held and the attendance of each Director at the meetings is set out in the table below:

Directors	Attendance/Number of meetings	
	Board Meetings	Annual General Meeting
Ms. Wang Xiaoying	4/4	1/1
Mr. Ye Jiayu	4/4	1/1
Mr. Yan Yude	4/4	1/1
Mr. Deng Bangkai	4/4	1/1
Mr. Sit Chiu Wing	4/4	1/1
Mr. Chan Kim Sun	4/4	1/1
Mr. Wen Ruizheng	4/4	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 year ended 31 August 2023. 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 year ended 31 August 2023.

At the same time, during the year ended 31 August 2023, 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 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.

## CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2023, 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 year ended 31 August 2023, the Audit Committee reviewed the annual results and reports for the year ended 31 August 2022 and the interim results and report for the six months ended 28 February 2023, 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 internal audit function, the external audit process as well as the independence, the Audit Committee is satisfied with this relationship.

The Group's annual audited results for the year ended 31 August 2023 have been reviewed by the Audit Committee on 29 November 2023.

### 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.



## NOMINATION POLICY

### Selection criteria and principles

Appointment of Directors is based on objective criteria, having due regard to the benefits of diversity to the Board, and decisions of the Nomination Committee are based on the merits and contribution of the selected candidates.

The Nomination Committee has adopted a nomination policy (the “**Nomination Policy**”) which sets out the selection criteria and procedure of nominating, appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant industry experience, character and integrity and whether he/she can contribute to the diversity of the Board underpinned in the Board Diversity Policy. The procedure of appointing and re-appointing a Director is summarised as follows:-

- nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;
- evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy and the Board Diversity Policy;
- performing due diligence in respect of each candidate and making recommendation for the Board’s consideration and approval;
- in case of nomination of an independent non-executive Director, assessing the candidate’s independence under the relevant CG Code provision(s) and the Listing Rules;
- where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under applicable CG Code provision(s);
- in the context of re-appointment of retiring Directors, reviewing the candidate’s overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meetings; and
- convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

## 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	41-45	55-60	61-65	>70
	2	0	3	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>5-6</b>	<b>&gt;6</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 China market	Experience in Mainland capital 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 year ended 31 August 2023, 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 year ended 31 August 2023, 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:

1. 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;
2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;
3. 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;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. 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;
7. 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;



8. 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; and
9. to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

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

During the year ended 31 August 2023, 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 year ended 31 August 2023, the Remuneration Committee reviewed and discussed the remuneration policy and structure of the Company, and the remuneration packages and performance of the executive Directors and senior management and made recommendation to the Board and other related matters of the Company. The Remuneration Committee also approved the terms of executive Directors' service contracts, and reviewed the matters relating to share schemes adopted by 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 Senior Management

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended 31 August 2023 by band is set out below:

Remuneration band	Number of individual
Nil to RMB1 million	3

## CORPORATE GOVERNANCE REPORT

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

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 August 2023 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 79 to 82 of this annual 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 as well as the functions relating to the Company's environmental, social and governance performance and reporting; (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 year ended 31 August 2023 was approximately as follows:

Type of Services	Amount (RMB)
Audit services	900,000
Non-audit services (including Environmental, Social and Governance Report)	80,000
Total	980,000

## **COMPANY SECRETARY**

Ms. Ho Yin Kwan has resigned as the company secretary of the Company with effect from 31 March 2023. Ms. Ho Yin Kwan has confirmed that she has no disagreement with the Board and there is no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

Following the resignation of Ms. Ho Yin Kwan, the Board announced the appointment of Mr. Deng Bangkai, who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as the Company Secretary. The biography of Mr. Deng Bangkai is set out on page 25 of this annual report.

During the year ended 31 August 2023, Ms. Ho Yin Kwan and Mr. Deng Bangkai have 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.

During the year ended 31 August 2023, the Board has reviewed the implementation and effectiveness of the Shareholder communication policy. The Board believes that Shareholders and investors can effectively obtain the information of the Group through multiple communication channels for shareholders. At the same time, Shareholders can also take the initiative to directly contact the Board and express their opinions through the procedure of making inquiries to the Board. Therefore, the Board agrees with the effectiveness of the Shareholder communication policy.

## **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 Second Amended and Restated Articles of Association adopted by way of special resolution passed at the annual general meeting held on 24 February 2023. Any one or more member(s) 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, on a one vote per share basis, 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 or resolution 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 Unit 02, 8/F, Tung Che Commercial Centre, 246 Des Voeux Road West, Hong Kong (email address: [ir@virscendeducation.com](mailto:ir@virscendeducation.com)).

### CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the Second Amended and Restated Articles of Association on 24 February 2023, with effect from the same date. Please refer to the circular dated 29 December 2022 for details of the proposed amendments. For the full text of the second amended and restated articles of association of the Company, please refer to the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.virscendeducation.com](http://www.virscendeducation.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 (collectively referred to as the “Group”) set out on pages 83 to 164, which comprise the consolidated statement of financial position as at 31 August 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year 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 year. 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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>We identified revenue as a key audit matter due to the significance of the amount in the consolidated financial statements, combined with volume of transactions recognised in current year.</p> <p>Revenue mainly represents service income from tuition fees, school canteen operation fees, boarding fees, non-formal education services fees, consultation services fee for overseas studies and educational management and consultation services fees. For the year ended 31 August 2023, revenue amounted to RMB762,268,000 of which details are included in note 5 to the consolidated financial statements.</p>	<p>Our procedures in relation to revenue recognition included the followings:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of Group's key internal controls relating to revenue recognition process;</li> <li>• 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.</li> <li>• Recalculating and checking the amounts of contract liabilities and revenue recognised.</li> <li>• Assessing the adequacy of disclosures made in the Group's consolidated financial statements.</li> </ul>

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.

## **RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 and error.

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## INDEPENDENT AUDITOR'S REPORT

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 director on the audit resulting in this independent auditor's report is Mr. MAK, Kin Wang with Practising Certificate number: P08114.

### **Elite Partners CPA Limited**

*Certified Public Accountants*

10/F., 8 Observatory Road  
Tsim Sha Tsui, Kowloon  
Hong Kong  
29 November 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	<b>762,268</b>	551,118
Cost of sales		<b>(510,493)</b>	(383,511)
Gross profit		<b>251,775</b>	167,607
Other income and other gains	5	<b>26,327</b>	35,043
Selling and distribution expenses		<b>(7,736)</b>	(6,621)
Administrative expenses		<b>(106,409)</b>	(93,413)
Other expenses and other losses		<b>(9,967)</b>	(11,753)
Finance costs	7	<b>(99,675)</b>	(86,441)
PROFIT BEFORE TAX	6	<b>54,315</b>	4,422
Income tax expense	10	<b>(15,754)</b>	(531)
PROFIT FOR THE YEAR		<b>38,561</b>	3,891
Profit for the year attributable to:			
Owners of the Company		<b>32,263</b>	11,380
Non-controlling interests		<b>6,298</b>	(7,489)
		<b>38,561</b>	3,891
EARNINGS PER SHARE	12		
– Basic		<b>RMB1.1 fen</b>	RMBO.4 fen
– Diluted		<b>RMB1.1 fen</b>	RMBO.4 fen

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 August 2023

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>2,643,837</b>	2,448,030
Right-of-use assets	14(a)	<b>600,278</b>	624,798
Other intangible assets	15	<b>95,863</b>	116,072
Goodwill	16	<b>104,298</b>	104,298
Long-term pledged deposits	17	<b>61,460</b>	36,220
Other non-current assets	18	<b>3,137</b>	165,420
Deferred tax assets	19	<b>2,008</b>	—
Total non-current assets		<b>3,510,881</b>	3,494,838
<b>CURRENT ASSETS</b>			
Inventories		<b>183</b>	24
Trade receivables	20	<b>1,961</b>	1,200
Prepayments and other receivables	21	<b>230,465</b>	56,268
Financial assets at fair value through profit or loss	22	<b>35,360</b>	24,544
Cash and cash equivalents	23	<b>756,413</b>	389,265
Total current assets		<b>1,024,382</b>	471,301
<b>CURRENT LIABILITIES</b>			
Trade payables	24	<b>1,617</b>	1,352
Other payables and accruals	25	<b>145,986</b>	155,680
Financial guarantee contracts	26	<b>1,293</b>	4,839
Interest-bearing bank and other borrowings	27	<b>897,874</b>	644,223
Lease liabilities	14(b)	<b>3,481</b>	576
Tax payable		<b>28,643</b>	24,361
Contract liabilities	28	<b>676,584</b>	463,626
Deferred income	29	<b>83</b>	193
Total current liabilities		<b>1,755,561</b>	1,294,850
NET CURRENT LIABILITIES		<b>(731,179)</b>	(823,549)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>2,779,702</b>	2,671,289

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	27	<b>1,219,334</b>	782,464
Lease liabilities	14(b)	<b>3,381</b>	455
Deferred income	29	—	1,115
Contract liabilities	28	<b>76,516</b>	116,869
Other payables	25	<b>46,518</b>	37,698
Amounts due to related parties	35	<b>591,187</b>	934,346
Total non-current liabilities		<b>1,936,936</b>	1,872,947
Net assets		<b>842,766</b>	798,342
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	30	<b>26,051</b>	26,051
Reserves		<b>814,155</b>	782,841
		<b>840,206</b>	808,892
Non-controlling interests		<b>2,560</b>	(10,550)
Total equity		<b>842,766</b>	798,342

The consolidated financial statements on pages 83 to 164 were approved and authorised for issue by the board of directors on 29 November 2023 and were signed on its behalf by:

**Wang Xiaoying**  
Director

**Ye Jiayu**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2023

	Notes	Attributable to owners of the Company								Total RMB'000
		Share capital RMB'000 Note 30	Capital reserve RMB'000 Note 31(a)	Statutory surplus reserve RMB'000 Note 31(b)	Shares	Exchange fluctuation reserve RMB'000	Retained	Sub-total RMB'000	Non- controlling interests RMB'000	
					held for		profits/			
					share award scheme RMB'000 Note 39		(accumulated losses) RMB'000			
At 1 September 2021		26,051	898,325	61,434	—	(29)	(122,170)	863,611	(2,755)	860,856
Profit for the year		—	—	—	—	—	11,380	11,380	(7,489)	3,891
Other comprehensive expense for the year:										
Exchange differences arising on translation of foreign operations		—	—	—	—	(314)	—	(314)	(306)	(620)
Total comprehensive income/(expense) for the year		—	—	—	—	(314)	11,380	11,066	(7,795)	3,271
2021 interim dividend recognised as distribution		—	(48,081)	—	—	—	—	(48,081)	—	(48,081)
Shares purchased for share award scheme		—	—	—	(17,704)	—	—	(17,704)	—	(17,704)
At 31 August 2022 and 1 September 2022		26,051	850,244	61,434	(17,704)	(343)	(110,790)	808,892	(10,550)	798,342
Profit for the year		—	—	—	—	—	32,263	32,263	6,298	38,561
Other comprehensive expense for the year:										
Exchange differences arising on translation of foreign operations		—	—	—	—	(222)	—	(222)	(210)	(432)
Total comprehensive income (expense) for the year		—	—	—	—	(222)	32,263	32,041	6,088	38,129
Deconsolidation of subsidiaries	32	—	—	—	—	—	—	—	1,262	1,262
Shares purchased for share award scheme	39	—	—	—	(727)	—	—	(727)	—	(727)
Capital injection from non-controlling interests		—	—	—	—	—	—	—	5,760	5,760
At 31 August 2023		26,051	850,244	61,434	(18,431)	(565)	(78,527)	840,206	2,560	842,766

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>54,315</b>	4,422
Adjustments for:			
Finance costs	7	<b>99,675</b>	86,441
Impairment losses on financial assets, net		<b>2,758</b>	3,937
Bank interest income	5	<b>(629)</b>	(467)
Other interest income	5	<b>(377)</b>	(1,429)
Amortisation on financial guarantee contracts	26	<b>(3,816)</b>	(1,914)
Loss allowance on financial guarantee contracts	26	<b>270</b>	1,427
Loss on disposal of property, plant and equipment	6	<b>145</b>	23,912
Realisation of deferred income	29	<b>(1,269)</b>	(194)
Depreciation of property, plant and equipment	13	<b>81,927</b>	78,073
Amortisation of other intangible assets	15	<b>20,209</b>	22,571
Depreciation of right-of-use assets	14	<b>33,682</b>	26,520
Gain on disposal of an associate	6	<b>—</b>	(11,419)
Loss on deconsolidation of subsidiaries	32	<b>(1,482)</b>	—
		<b>285,408</b>	231,880
(Increase)/decrease in inventories		<b>(162)</b>	9
(Increase)/decrease in trade receivables, prepayments and other receivables		<b>(217,747)</b>	187,196
Increase/(decrease) in trade payables		<b>265</b>	(2,044)
Increase in other payables and accruals		<b>14,831</b>	33,020
Decrease in amounts due to related parties		<b>—</b>	(345,012)
Increase in deferred income		<b>44</b>	—
Increase in contract liabilities		<b>181,863</b>	151,979
Cash generated from operations		<b>264,502</b>	257,028
Interest received		<b>629</b>	467
Income tax paid		<b>(13,480)</b>	(721)
Net cash from operating activities		<b>251,651</b>	256,774

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2023



	Notes	2023 RMB'000	2022 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(128,559)</b>	(187,763)
Additions to right-of-use assets		<b>(185)</b>	(7,877)
Receipt of government grants for property, plant and equipment		—	16
Purchase of financial products		<b>(30,877)</b>	(29,600)
Proceeds from disposal of financial products		<b>20,061</b>	31,519
Repayment of loans from third parties		—	(36,457)
Interest received		<b>377</b>	1,429
Deconsolidation of subsidiaries	32	<b>(2,056)</b>	—
Net cash used in investing activities		<b>(141,239)</b>	(228,733)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		<b>872,000</b>	349,000
Repayments of bank loans		<b>(482,200)</b>	(283,100)
New other loans		<b>787,223</b>	206,011
Repayments of other loans		<b>(466,502)</b>	(179,584)
Capital injection from non-controlling interests		<b>5,760</b>	—
Increase in long-term pledged deposits		<b>(25,240)</b>	(6,000)
Increase in long term payables		<b>8,820</b>	37,698
Dividends paid		—	(122,823)
Principal portion of lease payments		<b>(3,532)</b>	(1,420)
Interest paid		<b>(109,006)</b>	(87,703)
Proceeds from related party loans		<b>13,731</b>	—
Purchase of shares for share award scheme		<b>(727)</b>	(17,704)
Repayment of related party loans		<b>(343,159)</b>	(164,266)
Net cash generated from/(used in) financing activities		<b>257,168</b>	(269,891)
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>367,580</b>	(241,850)
Cash and cash equivalents at beginning of year		<b>389,265</b>	631,735
Effect of foreign exchange rate changes, net		<b>(432)</b>	(620)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	<b>756,413</b>	389,265
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>756,413</b>	389,265

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

## 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. Its parent is Virscend Holdings Company Limited, which was incorporated in the British Virgin Islands (the “BVI”), and its ultimate controlling shareholder is Mr. Yan Yude, who is also the director of the Company. 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 year ended 31 August 2023 (the “period”), the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the provision of 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 current year and the prior period.

### Particulars of principal subsidiaries

Particulars of the Company’s principal subsidiaries during the year ended 31 August 2023 and 2022 are as follows:

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
			31 August 2023		31 August 2022		
			Direct	Indirect	Direct	Indirect	
Virscend Investment Holding Company Limited	20 March 2015, BVI	United States dollar (“USD”) 50,000	100%	—	100%	—	Investment holding
Wah Tai (HK) Investment Limited	8 September 2014, Hong Kong	Hong Kong dollar (“HKD”) 10,000	—	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	Renminbi (“RMB”) 300,000,000	—	100% (b)	—	100% (b)	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) and (f))	10 January 2001, the PRC	RMB 98,408,800	—	(a)/(c)	—	(a)/(c)	Provision of university education services
USA Wah tai Educational Consulting Services Inc.	2 November 2015, the United States of America (the “USA”)	USD 100,000	—	51%	—	51%	Consulting services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



## 1. CORPORATE AND GROUP INFORMATION – CONTINUED

### Particulars of principal subsidiaries – Continued

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
			31 August 2023		31 August 2022		
			Direct	Indirect	Direct	Indirect	
Chengdu Derui Huatai Trading Co., Ltd. 成都德瑞華泰商貿有限公司	20 October 2015, the PRC	RMB 100,000	—	100% (d)	—	100% (d)	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% (b)	—	100% (b)	Provision of 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	RMB 3,000,000	—	— (e)	—	45% (c)	Provision of high 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% (c)	—	100% (c)	Provision of high 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	RMB 1,000,000	—	100% (c)	—	100% (c)	Provision of high 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	RMB 1,000,000	—	100% (c)	—	100% (c)	Provision of high 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	RMB 60,000,000	—	100% (c)	—	100% (c)	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	RMB 93,000,000	—	— (d)	—	— (d)	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	HKD 100,000	51%	—	51%	—	Provision of performing and art tutoring services
Chengdu Foreign Languages High School of Chengdu Hi-tech Zone 成都高新區成外高級中學 (前稱:成都外國語學校高新校區)	9 June 2017, the PRC	RMB 3,000,000	—	100% (c)	—	100% (c)	Provision of high 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% (c)	—	100% (c)	Provision of education consulting services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 1. CORPORATE AND GROUP INFORMATION – CONTINUED

#### Particulars of principal subsidiaries – Continued

Name	Date of incorporation/ establishment and place of business	Issued ordinary/ registered share capital	Proportion of ownership interest and voting rights held by the Company				Principal activities
			31 August 2023		31 August 2022		
			Direct	Indirect	Direct	Indirect	
Chengdu Fanmao Nursery Service Co., Ltd. 成都繁懋托育服務有限公司	3 February 2020, the PRC	RMB 1,000,000	—	100% (c)	—	100% (c)	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% (c)	—	100% (c)	Provision of education consulting services
Chengdu High-tech Zone Jiayingtai Art Training School 成都高新區嘉盈泰藝術培訓學校	11 August 2020, the PRC	RMB 300,000	—	53% (c)	—	53% (c)	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% (c)	—	100% (c)	Provision of education consulting services
Chengdu Pidū District Jiataihua Education and Training School 成都市郫都區嘉泰華嘉盈教育培訓學校	12 December 2021, the PRC	RMB 300,000	—	100% (c)	—	100% (c)	Provision of after-class tutoring education services
Chengdu Foreign Languages School Education Consulting Co., Ltd. 成都市成外教育諮詢有限責任公司	15 July 2021, the PRC	RMB 2,000,000	—	100%	—	100%	Provision of education consulting services
Chengdu Experimental Foreign Languages High 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
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
Chengdu Experimental Foreign Languages High School of Sichuan Tianfu New Area 四川天府新區實外高級中學有限公司	13 May 2022, the PRC	RMB 3,000,000	—	51%	—	51%	Provision of high school education services
Virscend High School of Chengdu Xinjin District 成都市新津區成實外高級中學有限公司	22 June 2022, the PRC	RMB 3,000,000	—	55%	—	55%	Provision of high school education services
Chengdu Foreign Languages High School of Renshou 仁壽成外高級中學	21 March 2023, the PRC	RMB 6,000,000	—	51%	—	—	Provision of high school education services



## 1. CORPORATE AND GROUP INFORMATION – CONTINUED

### Particulars of principal subsidiaries – Continued

The English names of certain subsidiaries represent the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

None of the subsidiaries had issued any debt securities during the year or outstanding at the end of the year.

The above table shows the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Notes:

- (a) 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.
- (b) Registered as a wholly-foreign-owned enterprise under PRC law.
- (c) Accounted for as subsidiaries by virtue of the Group’s control over them.
- (d) Indirectly held through a wholly-foreign-owned enterprise of the Company.
- (e) Deconsolidated and excluded for the scope of consolidated financial statements of the Group from 28 April 2023.
- (f) In September 2023, the University had obtained final approval from the Ministry of Education for conversion with new school name “Chengdu International Studies College” (“成都外國語學院”).

## 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value through profit or loss, and financial guarantee contracts which have been measured at fair value. These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.1 BASIS OF PREPARATION – CONTINUED

#### Going concern

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

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

- (i) the directors of the Company have reviewed the Group's cash flow forecast prepared by the management, which covered a period of not less than twelve months from 31 August 2023. In the opinion of the directors of the Company, the Group will have sufficient working capital to meet its financial obligation as and when they fall due and carry on its business without a significant curtailment of operation of not less than twelve months from 31 August 2023;
- (ii) the Group has a banking facility of unutilised amount of RMB1,400,000,000 which are available for drawdown within 7 months from 31 August 2023. In the opinion of the directors of the Company, the banking facility can be renewed and the duration can be extended 3 years from 31 August 2023. It is in the process of negotiating with the bank on the renewal of the banking facility by the Group;
- (iii) directors of the Company have reviewed the historical record of students drop-out rate of the schools and the amount of refund of tuition fees of the Group. In the opinion of directors of the Company, the probability of the Group's cash outflow from refund of tuition fee received in advance is remote, and the balance of contract liabilities of RMB676,584,000 as at 31 August 2023 (2022: RMB463,626,000), which represents the majority of tuition fee received in advance do not have any material cash outflow for the Group for the foreseeable future of not less than twelve months from end of the reporting period; and
- (iv) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

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

#### Basis of consolidation

These consolidated financial statements include the consolidated financial statements of the Group for the year ended 31 August 2023. 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).

### 2.1 BASIS OF PREPARATION – CONTINUED

#### Basis of consolidation – *Continued*

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.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using 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 Company 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.2 APPLICATION OF AMENDMENTS TO IFRSs

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

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

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

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

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

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

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

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



## 2.2 APPLICATION OF AMENDMENTS TO IFRSs – CONTINUED

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

#### *Amendments to IAS 1 Classification of Liabilities as Current or Noncurrent*

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date;

and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

Based on the Group's outstanding liabilities as at 31 August 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.2 APPLICATION OF AMENDMENTS TO IFRSs – CONTINUED

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

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

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

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

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

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

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

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

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **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.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

#### *Business combinations and goodwill – Continued*

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.

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.

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 financial guarantee contracts and certain financial instruments 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Fair value measurement – *Continued*

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 consolidated 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

For assets and liabilities that are recognised in the consolidated 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, financial assets at fair value through profit or loss and non-current assets), 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

#### Impairment of non-financial assets – *Continued*

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.

#### 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 the Group's parent; or

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 Group's parent.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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. 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.

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%
Motor vehicles	4.5% to 24.0%
Furniture and fixtures	1.5% to 32.0%
Electronic devices	1.5% to 30.0%

Where parts of an item of property, plant and equipment have different estimated useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, estimated 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.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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 live 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.

#### *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 Languages High School of Chengdu Hi-tech Zone (“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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 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.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### (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 presents lease liabilities as a separate line item on the consolidated statement of financial position.

### 2.3 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.

##### *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.

#### **Investments and other financial assets**

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Investments and other financial assets – Continued

##### *Initial recognition and measurement – Continued*

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.

##### *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 certain financial instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.



## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 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.

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Impairment of financial assets – Continued

##### General approach – Continued

The Group considers a financial asset in default when contractual payments are 90 days 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

##### 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 payables, other payables, amounts due to related parties, financial guarantee contracts and interest-bearing bank and other borrowings.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

#### *Financial liabilities – Continued*

##### *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.

##### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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 represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

#### 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.

#### Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

#### 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.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

#### *Income tax – Continued*

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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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 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, consultation services fees for overseas studies, non-formal education services fees and educational management and consultation services fees.

Tuition fees, school canteen operation fees, boarding fees, consultation services fees for overseas studies, and non-formal education services 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 consultation services fees for overseas studies 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.

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

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

#### Revenue recognition – *Continued*

##### *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).

#### Employee benefits

##### *Retirement benefit costs*

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees’ relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independent administered fund. The Group’s employer contributions vest fully with the employees when contributed in the MPF Scheme. Under the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at 5% of the employees’ relevant income subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

The employees of the Company’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group’s employer contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 August 2023, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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 consolidated 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 consolidated 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.

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).

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

#### Foreign currencies – *Continued*

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 exchange rates that approximate to those prevailing at the dates of transactions.

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.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

#### Shares purchased for share award scheme

When the Company's shares are purchased from the open market for share award scheme, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity.

The fair value of services received from directors and employees determined by reference to the fair value of award shares granted at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of award shares that will ultimately vest, with a corresponding increase in share-based compensation reserve.

At the time when the award shares are vested, the difference on the amounts previously recognised in shares held for share award scheme and the amount recognised in share-based compensation reserve is transferred to retained profits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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.

#### 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 consolidated 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 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.

##### *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.

#### 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.



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

#### Estimation uncertainty – Continued

##### *Provision for expected credit losses on financial assets at amortised cost*

The Group estimates a provision rate to calculate ECLs for financial assets at amortised cost. 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.

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

The Group assesses whether there are any indicators of impairment for all non-financial assets, including property, plant and equipment, right-of-use assets and other intangible 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.

##### *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 2023 was RMB 104,298,000 (31 August 2022: RMB104,298,000). Further details are disclosed in note 16.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of private 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 income is as follows:

	2023 RMB'000	2022 RMB'000
Tuition fees	603,516	436,266
School canteen operation fees	60,457	40,167
Boarding fees	43,160	31,770
Educational management and consultation services fees	25,930	21,730
Non-formal education services fees	20,175	13,923
Consultation services fees for overseas studies	7,004	5,129
Others	2,026	2,133
	<b>762,268</b>	<b>551,118</b>

#### Geographical information

During the year, the Group operated within one (2022: 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 year (2022: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



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

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

	Notes	2023 RMB'000	2022 RMB'000
<u>Revenue from contracts with customers (note (i))</u>			
Tuition fees		<b>603,516</b>	436,266
School canteen operation fees		<b>60,457</b>	40,167
Boarding fees		<b>43,160</b>	31,770
Educational management and consultation services fees*		<b>25,930</b>	21,730
Non-formal education services fees		<b>20,175</b>	13,923
Consultation services fees for overseas studies**		<b>7,004</b>	5,129
Others		<b>2,026</b>	2,133
		<b>762,268</b>	551,118
<u>Other income and other gains</u>			
Bank interest income		<b>629</b>	467
Other interest income		<b>377</b>	1,429
Foreign exchange difference, net		<b>1,113</b>	2,213
Government grants			
– related to income		<b>9,751</b>	194
Rental income		<b>4,186</b>	2,554
Gain on disposal of an associate		—	11,419
Gain on deconsolidation of subsidiaries	32	<b>1,482</b>	—
Amortisation on financial guarantee contracts	26	<b>3,816</b>	1,914
Others		<b>4,973</b>	14,853
		<b>26,327</b>	35,043

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

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

(i) Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
<b>Timing of revenue recognition-over time</b>		
Tuition fees	<b>603,516</b>	436,266
School canteen operation fees	<b>60,457</b>	40,167
Boarding fees	<b>43,160</b>	31,770
Educational management and consultation services fees	<b>25,930</b>	21,730
Non-formal education services fees	<b>20,175</b>	13,923
Consultation services fees for overseas studies	<b>7,004</b>	5,129
Others	<b>2,026</b>	2,133
	<b>762,268</b>	551,118

The Group's tuition, school canteen operation and boarding services contracts can be terminated anytime, by paying penalty after the registration date. Tuition fees, school canteen operation fees, boarding fees, consultation services fees for overseas studies and non-formal education services fees are determined and paid by the students before rendering the services while educational and management of the consultation services fees are charged based on students' usage at a fixed rate.

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:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tuition fees	<b>370,956</b>	356,829
School canteen operation fees	<b>43,240</b>	24,499
Boarding fees	<b>23,709</b>	27,155
Consultation services fees for overseas studies, non-formal educational services fees and educational management and consultation services fees	<b>142,590</b>	20,033
	<b>580,495</b>	428,516

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



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

(i) Revenue from contracts with customers – *Continued*

(b) *Performance obligations*

The amounts of transaction prices allocated to the remaining performance obligations as at 31 August 2023 and 31 August 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	676,584	463,626
After one year	76,516	116,869
	<b>753,100</b>	<b>580,495</b>

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 consultation services fees for overseas studies, of which the performance obligations are normally to be satisfied within three years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of services provided*		<b>184,833</b>	119,864
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and other allowances		<b>246,200</b>	164,889
Pension scheme contributions (defined contribution scheme)		<b>24,842</b>	21,746
Depreciation of property, plant and equipment	13	<b>81,927</b>	78,073
Amortisation of other intangible assets	15	<b>20,209</b>	22,571
Depreciation of right-of-use assets	14	<b>33,682</b>	26,520
Impairment losses on trade receivables		<b>61</b>	2,600
Impairment losses on other receivables		<b>6,634</b>	1,337
Reversal of impairment losses on trade receivables		<b>(2,600)</b>	—
Auditor's remuneration			
– audit service		<b>900</b>	850
– non-audit service		<b>80</b>	80
Bank interest income		<b>(629)</b>	(467)
Other interest income		<b>(377)</b>	(1,429)
Foreign exchange difference, net		<b>(1,113)</b>	(2,213)
Gain on disposal of an associate		—	(11,419)
Gain on deconsolidation of subsidiaries	32	<b>(1,482)</b>	—
Loss allowance on financial guarantee contracts	26	<b>270</b>	1,427
Loss on disposal of property, plant and equipment		<b>145</b>	23,912

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

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank and other borrowings	<b>107,064</b>	87,703
Interest on lease liabilities	<b>386</b>	52
Less: interest capitalised	<b>(7,775)</b>	(1,314)
	<b>99,675</b>	86,441

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



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

Directors' and chief executive's remuneration for the 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:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits in kind	4,376	4,069
Discretionary bonus	—	44
Pension scheme contributions	56	57
	<b>4,432</b>	<b>4,170</b>

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

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

	2023 RMB'000	2022 RMB'000
Mr. Sit Chiu Wing	108	100
Mr. Chan Kim Sun	108	100
Mr. Wen Ruizheng	85	84
	<b>301</b>	<b>284</b>

There were no other emoluments payable to the independent non-executive directors during the year ended 31 August 2023 (2022: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

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

(b) Executive directors and the chief executive

Year ended 31 August 2023	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Ms. Wang Xiaoying	898	—	—	898
Mr. Ye Jiayu	898	—	—	898
Mr. Deng Bangkai	1,381	—	56	1,437
Executive director and chief executive:				
Mr. Yan Yude	898	—	—	898
	<u>4,075</u>	<u>—</u>	<u>56</u>	<u>4,131</u>

Year ended 31 August 2022	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Ms. Wang Xiaoying	833	—	—	833
Mr. Ye Jiayu	833	—	—	833
Mr. Deng Bangkai	1,286	44	57	1,387
Executive director and chief executive:				
Mr. Yan Yude	833	—	—	833
	<u>3,785</u>	<u>44</u>	<u>57</u>	<u>3,886</u>

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as the directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 August 2023 (2022: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include 4 directors (2022: 4), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 1 (2022: 1) highest paid employee who is neither a director nor chief executive of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits in kind	480	482
Discretionary bonus	—	44
Pension scheme contributions	62	59
	<b>542</b>	<b>585</b>

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

	2023	2022
Nil to RMB1,000,000	1	1

During the year, 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 (2022: nil).

### 10. INCOME TAX EXPENSE

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 is calculated at 16.5% on the estimated profit for the year ended 31 August 2023 and for the year ended 31 August 2022.

Hong Kong profits tax has not been provided as the Group did not derive any assessable profits in Hong Kong during the year (2022: the same).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 10. INCOME TAX EXPENSE – CONTINUED

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year ended 31 August 2023 and for the year ended 31 August 2022.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns and 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 are to be separately formulated by the relevant authorities under the State Council.

Based on the historical tax returns filed to the relevant tax authorities and the confirmations obtained previously from the local tax bureaus and local offices of the State Administration of Taxation, except for the high schools registered as for-profit private schools, certain schools within the Group were exempted from corporate income tax for the year ended 31 August 2023 and the year ended 31 August 2022. Certain high schools registered as for-profit schools were subject to the PRC income tax at a statutory tax rate of 25%.

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

	2023 RMB'000	2022 RMB'000
Current – PRC		
– Charge for the year	17,762	121
– Under-provision in prior years	–	410
	<b>17,762</b>	531
Deferred tax	<b>(2,008)</b>	–
	<b>15,754</b>	531

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 10. INCOME TAX EXPENSE – CONTINUED

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	54,315	4,422
Tax at the statutory tax rate	13,579	1,106
Lower tax rate(s) for specific provinces or enacted by local authority	(1,324)	4,948
Expenses not deductible for tax	148,074	117,064
Income not subject to tax	(153,473)	(127,051)
Adjustments in respect of current tax of previous periods	2,262	410
Tax losses not recognised	6,636	4,054
Tax charge at the Group's effective rate	15,754	531

Deferred tax assets have not been recognised in respect of the losses amounting to RMB 103,784,000 as at 31 August 2023 (2022: RMB65,082,000) 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 utilized.

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 2023, 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 (31 August 2022: nil). 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 recognized totalled approximately RMB 403,864,000 as at 31 August 2023 (2022: RMB327,033,000).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 11. DIVIDENDS

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

### 12. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,043,111,000 (2022: 3,055,350,000) in issue during the year ended 31 August 2023.

There were no potentially dilutive ordinary shares in issue during the year ended 31 August 2023 and the year ended 31 August 2022, and therefore the diluted earnings per share amounts were equivalent to the basic earnings per share amounts.

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

	2023 RMB'000	2022 RMB'000
Earnings attributable to owners of the Company	<u>32,263</u>	<u>11,380</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue (note)	<u>3,043,111,000</u>	<u>3,055,350,000</u>
Basic and diluted earnings per share (expressed in RMB fen per share)	<u>1.1</u>	<u>0.4</u>

Note: The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 August 2023 has been arrived at after deducting the shares held in trust for the Company (note 39).

No adjustment has been made to the basic earnings per share amounts for the year ended 31 August 2023 and 2022 in respect of a dilution as the impact of award shares granted had anti-dilution effect on the basic earnings per share amount presented. The denominators used are the same as those detailed above for basic and diluted earnings per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 13. 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 2023</b>							
At 1 September 2022							
Cost	1,878,948	442,007	8,859	107,801	231,577	444,612	3,113,804
Accumulated depreciation	(334,026)	(112,216)	(7,583)	(63,561)	(148,388)	—	(665,774)
Net carrying amount	<u>1,544,922</u>	<u>329,791</u>	<u>1,276</u>	<u>44,240</u>	<u>83,189</u>	<u>444,612</u>	<u>2,448,030</u>
At 1 September 2022, net of accumulated depreciation							
	1,544,922	329,791	1,276	44,240	83,189	444,612	2,448,030
Additions	30,508	20,757	64	1,336	8,224	244,743	305,632
Disposals	(3,306)	—	—	(1,457)	(2,397)	—	(7,160)
Depreciation provided during the year	(36,531)	(22,937)	(223)	(4,729)	(17,507)	—	(81,927)
Transfer from construction in progress	415,743	—	—	—	—	(415,743)	—
Disposal of subsidiaries	(5,406)	(8,381)	(9)	(1,279)	(5,663)	—	(20,738)
At 31 August 2023, net of accumulated depreciation							
	<u>1,945,930</u>	<u>319,230</u>	<u>1,108</u>	<u>38,111</u>	<u>65,846</u>	<u>273,612</u>	<u>2,643,837</u>
At 31 August 2023:							
Cost	2,167,777	450,878	8,749	103,750	227,858	273,612	3,232,624
Accumulated depreciation	(221,847)	(131,648)	(7,641)	(65,639)	(162,012)	—	(588,787)
Net carrying amount	<u>1,945,930</u>	<u>319,230</u>	<u>1,108</u>	<u>38,111</u>	<u>65,846</u>	<u>273,612</u>	<u>2,643,837</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

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

	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 2022</b>							
At 1 September 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>
At 1 September 2021, net of accumulated depreciation							
	1,584,734	254,074	1,301	37,598	73,205	410,026	2,360,938
Additions	5,874	105,540	284	13,497	29,296	34,586	189,077
Disposals	(5,465)	(13,057)	–	(434)	(4,956)	–	(23,912)
Depreciation provided during the year	<u>(40,221)</u>	<u>(16,766)</u>	<u>(309)</u>	<u>(6,421)</u>	<u>(14,356)</u>	<u>–</u>	<u>(78,073)</u>
At 31 August 2022, net of accumulated depreciation							
	<u>1,544,922</u>	<u>329,791</u>	<u>1,276</u>	<u>44,240</u>	<u>83,189</u>	<u>444,612</u>	<u>2,448,030</u>
At 31 August 2022:							
Cost	1,878,948	442,007	8,859	107,801	231,577	444,612	3,113,804
Accumulated depreciation	<u>(334,026)</u>	<u>(112,216)</u>	<u>(7,583)</u>	<u>(63,561)</u>	<u>(148,388)</u>	<u>–</u>	<u>(665,774)</u>
Net carrying amount	<u>1,544,922</u>	<u>329,791</u>	<u>1,276</u>	<u>44,240</u>	<u>83,189</u>	<u>444,612</u>	<u>2,448,030</u>

The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. No impairment has been recognised as the carrying amount of the relevant assets does not exceed the recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

## 14. LEASES

### The Group as a lessee

For the year ended 31 August 2023 and 2022, the Group had 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 (2022: 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 2 and 20 years (2022: between 2 and 20 years). Other machinery and equipment generally have lease terms of 12 months or less and/or are 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 year are as follows:

	Leasehold land RMB'000	Buildings and other premises RMB'000	Total RMB'000
At 1 September 2021	608,473	33,799	642,272
Additions	—	9,046	9,046
Depreciation charge	(13,624)	(12,896)	(26,520)
At 31 August 2022 and 1 September 2022	594,849	29,949	624,798
Additions	—	9,162	9,162
Depreciation charge	(20,346)	(13,336)	(33,682)
At 31 August 2023	574,503	25,775	600,278

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 14. LEASES – CONTINUED

The Group as a lessee – *Continued*

(b) *Lease liabilities*

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

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 September	1,031	1,230
New leases	8,977	1,169
Accretion of interest recognised during the year	386	52
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	—
Payments	(3,532)	(1,420)
Carrying amount at 31 August	<u>6,862</u>	<u>1,031</u>
Analyzed into:		
Current	3,481	576
Non-current	3,381	455
	<u>6,862</u>	<u>1,031</u>

The maturity analysis of lease liabilities is disclosed in note 38 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 14. LEASES – CONTINUED

The Group as a lessee – *Continued*

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

	Note	2023 RMB'000	2022 RMB'000
Interest expenses on lease liabilities	7	386	52
Depreciation of right-of-use assets	6	33,682	26,520
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets (included in administrative expenses)		657	904
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)		10,277	11,627
Total amount recognised in profit or loss		45,002	39,103

(d) *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 overall financial effect of variable payment terms is that higher rental costs are incurred by relevant schools with higher profit before tax or turnover. The amounts of variable lease payments recognised in profit or loss for the year ended 31 August 2023 were RMB10,277,000. (2022: RMB11,627,000).

**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 year was RMB4,186,000. (2022: RMB2,554,000), details of which are included in note 5 to the consolidated financial statements. The relevant assets subject to these leases cannot be separated from owned assets held and used by the lessor.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 15. OTHER INTANGIBLE ASSETS

	Software RMB'000	Favourable rental contract RMB'000	Others RMB'000	Total RMB'000
Cost at 1 September 2022, net of accumulated amortisation	735	86,470	28,867	116,072
Amortisation provided during the year	(435)	(5,765)	(14,009)	(20,209)
At 31 August 2023	300	80,705	14,858	95,863
At 31 August 2023:				
Cost	3,440	98,000	61,000	162,440
Accumulated amortisation	(3,140)	(17,295)	(46,142)	(66,577)
Net carrying amount	300	80,705	14,858	95,863

	Software RMB'000	Favourable rental contract RMB'000	Others RMB'000	Total RMB'000
Cost at 1 September 2021, net of accumulated amortisation	1,474	92,235	44,934	138,643
Amortisation provided during the year	(739)	(5,765)	(16,067)	(22,571)
At 31 August 2022	735	86,470	28,867	116,072
At 31 August 2022:				
Cost	3,440	98,000	61,000	162,440
Accumulated amortisation	(2,705)	(11,530)	(32,133)	(46,368)
Net carrying amount	735	86,470	28,867	116,072

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



## 16. GOODWILL

	RMB'000
Net carrying amount at 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023	<u>104,298</u>

### 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% (31 August 2022: 15%) and cash flows beyond the five-year period were extrapolated using a growth rate of 2.50% (31 August 2022: 3%).

The carrying amount of goodwill allocated to Gaoxin Campus CGU at the end of the reporting period was RMB104,298,000 (31 August 2022: RMB104,298,000).

Assumptions were used in the value in use calculations of the Gaoxin Campus CGU for 31 August 2023 and 31 August 2022. 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 year/period 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 2.50% (31 August 2022: 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.

In the opinion of the directors of the Company, there is no impairment required in respect of the goodwill at the end of each of reporting period since the Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use and the recoverable amount of the cash-generating-unit exceeds the carrying amount of the relevant assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 17. LONG-TERM PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Long-term pledged deposits	<b>61,460</b>	36,220

The balance represents long-term pledged deposits for obtaining other borrowings (note 27) from third party financing companies. The long-term pledged deposits will be repaid after full settlement of the relevant borrowings, which was due over one year and are therefore classified as non-current assets.

### 18. OTHER NON-CURRENT ASSETS

	Notes	2023 RMB'000	2022 RMB'000
Advance payment for construction	(i)	<b>2,611</b>	164,113
Advance payment for equipment	(ii)	<b>526</b>	1,307
		<b>3,137</b>	165,420

(i) The amount of RMB2,611,000 (31 August 2022: RMB164,113,000) 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 2023.

(ii) The amount of RMB526,000 (31 August 2022: RMB1,307,000) has been paid for the purchase of equipment which have not been delivered to or accepted by the Group as of 31 August 2023.

### 19. DEFERRED TAX ASSETS

	2023 RMB'000	2022 RMB'000
Deferred tax assets in respect of ECL of trade and other receivables	<b>2,008</b>	—

Movements	Provisions RMB'000
At 1 September 2022	—
Credited to profit or loss	<b>2,008</b>
At 31 August 2023	<b>2,008</b>

Deferred tax assets have not been recognised in respect of the losses amounting to RMB103,784,000 as at 31 August 2023 (2022: RMB175,686,000) 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 utilized.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 20. TRADE RECEIVABLES

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

Trade receivables mainly arose from the provision of consulting services for education. Process in respect of the provision of consulting services is settled in accordance with the terms stipulated in the consulting services agreements.

An ageing analysis of trade receivables net of allowance for credit losses as at the end of the reporting period, presented based on the invoice dates, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	<u>1,961</u>	<u>1,200</u>

Trade receivables are normally due within 10 – 30 days from invoice dates. The Group seeks to maintain strict control over its outstanding trade receivables. Overdue trade receivable balances are regularly reviewed. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The movement in the allowance for credit losses on trade receivables is as follows:

	Lifetime ECL (credit- impaired) 2023 RMB'000	Lifetime ECL (credit- impaired) 2022 RMB'000
At 1 September	2,600	—
Charged to profit or loss	61	2,600
Credited to profit or loss	(2,600)	—
At 31 August	<u>61</u>	<u>2,600</u>

As at 31 August 2023 and 2022, the expected credit losses on trade receivables are estimated on an individual basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 21. PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments and other receivables	238,436	57,605
Impairment allowance	(7,971)	(1,337)
	<b>230,465</b>	<b>56,268</b>

Note:

- An impairment analysis of financial assets including deposits and other 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.
- During the year ended 31 August 2023, other receivables of approximately RMB 7,971,000 (2022: RMB1,337,000) were impaired.

The movement in the allowance for credit losses on prepayment and other receivables is as follows:

	2023 RMB'000	2022 RMB'000
At 1 September	1,337	—
Charged to profit or loss	6,634	1,337
At 1 August	<b>7,971</b>	<b>1,337</b>

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Financial products	<b>35,360</b>	<b>24,544</b>

As at 31 August 2023 and 2022, financial assets at fair value through profit or loss represents investment in financial products of a bank. The financial products can be redeemed one day after the application of the redemption request. Financial assets at fair value through profit or loss are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 23. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	756,413	389,265
Cash and cash equivalents	756,413	389,265

At the end of the reporting period, cash and bank balances was denominated in RMB amounted to RMB756,413,000 (2022: RMB389,265,000). 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.

### 24. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within one year	1,617	1,352

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 25. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Current portion:		
Payables for purchase of fixed assets and construction	13,591	14,006
Accrued staff benefits and payroll	8,893	7,226
Discretionary government subsidies receipt in advance on behalf of students	21,895	13,932
Other payables	96,044	115,930
Rental fees payable	478	714
Accruals	5,085	1,930
Interest payable	—	1,942
	<b>145,986</b>	155,680
Non-current portion:		
Other payables*	46,518	37,698
	<b>192,504</b>	193,378

\* The amount represents the payables to an independent third party for the purpose of school decoration which bore interest rate of 10% per annum, repayable within four years.

### 26. FINANCIAL GUARANTEE CONTRACTS

	2023 RMB'000	2022 RMB'000
At 1 September	4,839	5,326
Amortisation of financial guarantee contracts provision	(3,816)	(1,914)
Loss allowance on financial guarantee contracts	270	1,427
At 31 August	<b>1,293</b>	4,839

As at 31 August 2023, 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 RMB668,080,000 (31 August 2022: RMB1,463,080,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



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

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	4.00-6.90	2024	310,000	4.45-6.90	2023	249,000
Current portion of long term bank loans – secured	3.80-8.00	2024	161,720	4.80-7.00	2023	149,700
Other loans – secured	6.73-8.19	2024	426,154	6.26-8.19	2023	245,523
			<u>897,874</u>			<u>644,223</u>
<b>Non-current</b>						
Bank loans – secured	4.80-7.00	2033	694,480	4.80-7.00	2033	397,700
Other loans – secured	6.26-8.19	2027	524,854	6.29-8.19	2024	384,764
			<u>1,219,334</u>			<u>782,464</u>
			<u>2,117,208</u>			<u>1,426,687</u>

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	471,720	398,700
In the second year	92,020	189,700
In the third to fifth years, inclusive	476,960	52,500
Beyond five years	125,500	155,500
	<u>1,166,200</u>	<u>796,400</u>
Other borrowings repayable:		
Within one year or on demand	426,154	240,357
In the second year	267,743	335,302
In the third to fifth years, inclusive	257,111	54,628
	<u>951,008</u>	<u>630,287</u>
	<u>2,117,208</u>	<u>1,426,687</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

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

The exposure of the Group's borrowings are as follows:

	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings	1,689,208	1,019,687
Variable-rate borrowings	428,000	407,000
	<b>2,117,208</b>	1,426,687

As at 31 August 2023, the Group's bank borrowings amounting to RMB1,166,200,000 (31 August 2022: RMB796,400,000) 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 RMB1,166,200,000 (31 August 2022: RMB796,400,000), a relative of Mr. Yan Yude and a director of the Company also provided guarantee on bank borrowings amounting to RMB146,000,000 (31 August 2022: RMB100,000,000) and RMB159,000,000 (31 August 2022: RMB150,000,000), respectively.

As at 31 August 2023, 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 RMB 951,008 000 (31 August 2022: RMB630,287,000). 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 19).

Besides, bank borrowings amounting to RMB193,000,000 (31 August 2022: RMB245,500,000) out of RMB1,166,200,000 (31 August 2022: RMB796,400,000) were also secured by mortgages over buildings situated in Chengdu, owned by a related party, and bank borrowings amounting to RMB74,500,000 (31 August 2022: RMB37,000,000) out of RMB1,166,200,000 (31 August 2022: RMB796,400,000), were secured by the pledge of equity interests of Mr. Yan Yude and a relative of Mr. Yan Yude.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 28. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

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

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

Significant changes in contract liabilities are explained as follows:

	2023 RMB'000	2022 RMB'000
Balance at 1 September	580,495	428,516
Billing in advance	753,100	580,495
Revenue recognised that was included in the contract liabilities balance at the beginning of the year (note 5 (i)(a))	(580,495)	(428,516)
Balance at 31 August	<b>753,100</b>	580,495

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 29. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
At the beginning of year	1,308	1,486
Received amounts	44	16
Realised to profit or loss	(1,269)	(194)
At the end of year	<u>83</u>	<u>1,308</u>
Current	83	193
Non-current	—	1,115
	<u>83</u>	<u>1,308</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 consolidated statement of profit or loss and the grants related to assets would be released to the consolidated statement of profit or loss over the expected useful life of the relevant asset.

### 30. SHARE CAPITAL

Shares	2023 RMB'000	2022 RMB'000
Issued and fully paid: 3,088,761,000 (2022: 3,088,761,000) ordinary shares of HK1.0 cents each	<u>26,051</u>	<u>26,051</u>

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

	Number of shares in issue	Share capital RMB'000
At 1 September 2021	<u>3,088,761,000</u>	<u>26,051</u>
At 31 August 2022	<u>3,088,761,000</u>	<u>26,051</u>
At 1 September 2022	<u>3,088,761,000</u>	<u>26,051</u>
At 31 August 2023	<u>3,088,761,000</u>	<u>26,051</u>

### 31. 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 of the consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 32. DECONSOLIDATION OF SUBSIDIARIES

Wulongshan High School is subsidiary of the Group before 28 April 2023, Chengdu Experimental Foreign Languages School of Xindu Wulongshan and Wulongshan High School have been consolidated into a new school providing primary, middle and high school education services which is classified as a school providing compulsory education services. Therefore Wulongshan High School was deconsolidated from the Group since 28 April 2023. For more details, please refer to the Company's announcements date 28 April 2023.

	RMB'000
Net assets/(liabilities) disposed of:	
Property, plant and equipment	20,738
Inventories	3
Prepayments, deposits and other receivables	40,481
Cash and cash equivalents	2,056
Other payables	(36,314)
Interest-bearing bank and other borrowings	(20,000)
Contract liabilities	(9,258)
	<u>(2,294)</u>
Gain on deconsolidation of subsidiary:	
Cash consideration receivables	450
Less: non-controlling interests	(1,262)
Less: net liabilities disposed of	2,294
	<u>1,482</u>

### 33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

During the year ended 31 August 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB8,977,000 and RMB8,977,000 respectively, in respect of lease arrangements for office premise (2022: RMB1,169,000 and RMB1,169,000 respectively for office premise).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED

(b) Changes in liabilities arising from financing activities

**Year ended 31 August 2023**

	Bank and Other borrowings RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Amounts due to related parties RMB'000
At 1 September 2022	1,426,687	1,031	—	934,346
Changes from financing cash flows	710,521	(3,532)	—	(343,159)
Deconsolidation of subsidiaries (note 32)	(20,000)	—	—	—
New leases	—	8,977	—	—
Interest expense	—	386	—	—
Dividend proposed	—	—	—	—
At 31 August 2023	<u>2,117,208</u>	<u>6,862</u>	<u>—</u>	<u>591,187</u>

Year ended 31 August 2022

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Amounts due to related parties RMB'000
At 1 September 2021	1,334,360	1,230	74,741	2,061,651
Changes from financing cash flows	92,327	(1,420)	(122,823)	(1,127,305)
New lease	—	1,169	—	—
Interest expense	—	52	—	—
Dividend proposed	—	—	48,082	—
	<u>1,426,687</u>	<u>1,031</u>	<u>—</u>	<u>934,346</u>

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within financing activities	<u>3,532</u>	<u>1,420</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 34. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for: Land and buildings, equipment	<b>183,228</b>	198,673

### 35. 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 35. RELATED PARTY TRANSACTIONS – CONTINUED

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

Name	Relationship
Related companies also include the Affected Entities deconsolidated on 31 August 2021 as follow which are companies controlled by Sichuan Derui:	
Chengdu Experimental Foreign Languages School	
Chengdu Foreign Languages School	
Chengdu Experimental Foreign Languages School of Xindu Wulongshan	
Chengdu Experimental Foreign Languages School of Quxian	
Chengdu Foreign Languages School of Yibin	

As disclosed in the consolidated statement of financial position, the Group had outstanding balances due to related parties at 31 August 2023 and 31 August 2022.

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

##### *Amounts due to related parties*

	2023 RMB'000	2022 RMB'000
USA Tianren Hotel	1,676	1,282
Mr. Yan Yude	1,436	1,378
Derui Wanhua	—	8,820
Sichuan Derui Enterprise Development Co., Ltd.	3,155	—
Virscend Holdings	13,731	—
Chengdu Experimental Foreign Languages School	380,758	724,001
Chengdu Foreign Languages School	190,431	194,431
Chengdu Experimental Foreign Languages School of Quxian	—	4,117
Chengdu Foreign Languages School of Yibin	—	317
	<b>591,187</b>	<b>934,346</b>
Current	—	—
Non-current	<b>591,187</b>	<b>934,346</b>
	<b>591,187</b>	<b>934,346</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 35. RELATED PARTY TRANSACTIONS – CONTINUED

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

##### *Amounts due to related parties – Continued*

On 5 January 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 payables were unsecured and interest free.

On March 2022, the Group entered into an agreement with related parties, of which the related parties agreed to offset the balances due among them. Accordingly, the amounts due from related parties of approximately RMB 378,009,000 has been offset with the amounts due to related parties. Subsequent to the offsetting arrangement, the amounts due to related parties was approximately RMB589,837,000.

As at 31 August 2023, certain related parties of the Group had agreed that they shall not demand settlement of the amounts due by the Group of approximately RMB591,187,000 before 1 September 2024. The respective amounts are unsecured, interest free and thus are classified as non-current liabilities.

#### (c) Other related party transactions

Save as disclosed in elsewhere of the report, the Group has below related parties transactions as follow:

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

Nature of transaction		2023 RMB'000	2022 RMB'000
Tianren Hotel	Integrated management services including receiving catering and accommodation services	596	1,314
	Lease payment*	2,015	—

\* On 30 November 2022, the Group had entered into the Lease Agreement with Tianren Hotel (as lessor) to use a property for a term of 3 years from 1 December 2022 to 30 November 2025. As at 31 August 2023, the Group has total lease liabilities and right-of-use assets with Tianren Hotel of RMB6,706,000 and RMB6,733,000, respectively.

Certain of the Group's bank borrowings were secured or guaranteed by related parties. Details are disclosed in note 27 to the consolidated financial statements.

Certain of the Affected Entities' bank borrowings were secured or guaranteed by the Group. Details are disclosed in note 26 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 35. RELATED PARTY TRANSACTIONS – CONTINUED

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

The remuneration of directors and other members of key management during the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits in kind	4,376	4,069
Discretionary bonus	—	44
Pension scheme contributions	56	57
	<b>4,432</b>	4,170

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 36. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

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 2023

#### Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Long-term pledged deposits	61,460	—	61,460
Financial assets at fair value through profit or loss	—	35,360	35,360
Financial assets included in other receivables	213,596	—	213,596
Trade receivables	1,961	—	1,961
Cash and cash equivalents	756,413	—	756,413
	<u>1,033,430</u>	<u>35,360</u>	<u>1,068,790</u>

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	591,187
Trade payables	1,617
Financial liabilities included in other payables and accruals	170,609
Financial guarantee contracts	1,293
Interest-bearing bank and other borrowings	2,117,208
	<u>2,881,914</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 36. FINANCIAL INSTRUMENTS – CONTINUED

Categories of financial instruments – *Continued*

31 August 2022

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Long-term pledged deposits	36,220	—	36,220
Financial assets at fair value through profit or loss	—	24,544	24,544
Financial assets included in other receivables	11,419	—	11,419
Trade receivable	1,200	—	1,200
Cash and cash equivalents	389,265	—	389,265
	<u>438,104</u>	<u>24,544</u>	<u>462,648</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Amounts due to related parties	934,346
Trade payables	1,352
Financial liabilities included in other payables and accruals	179,446
Financial guarantee contracts	4,839
Interest-bearing bank and other borrowings	1,426,687
	<u>2,546,670</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

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

#### Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

#### Fair value hierarchy

Some of the Group's financial assets are measured at fair value at the end of each reporting period.

The follow table illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### As at 31 August 2023

	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	
Financial assets at fair value through profit or loss	—	<b>35,360</b>	—	<b>35,360</b>

#### As at 31 August 2022

	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	
Financial assets at fair value through profit or loss	—	24,544	—	24,544

During the year ended 31 August 2023, there were no transfers of fair value measurements between Level 1 and Level 2 nor transfers into or out of Level 3 (2022: nil).

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank and other borrowings. 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 trade receivables, other receivables, deposits, trade payables, other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, currency 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 27) 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 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 profit for the year ended 31 August 2023 would decrease/increase by RMB 7,940,000 (2022: RMB5,350,000). 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

#### 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).

	Increase/ (decrease) in HKD/RMB rate %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 August 2023		
If the RMB weakens against the HKD	5	222
If the RMB strengthens against the HKD	5	(222)
Year ended 31 August 2022		
If the RMB weakens against the HKD	5	1,075
If the RMB strengthens against the HKD	5	(1,075)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

#### Credit risk and impairment assessment

##### *Maximum exposure and period-end staging*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to long-term pledged deposits, long-term receivables, trade receivables, other receivables and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

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.

The amounts presented are gross carrying amounts for financial assets.

#### **As at 31 August 2023**

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach RMB'000	
Financial assets included in other receivables					
– Normal*	221,568				221,568
Long-term pledged deposits					
– Normal*	61,460				61,460
Trade receivables	–	–	–	2,022	2,022
Cash and cash equivalents	756,413	–	–		756,413
Guarantees given to banks in connection with facilities granted to the Affected Entities					
– Facilities drawn					
– not yet past due	668,080	–	–	–	668,080
	<u>1,707,521</u>	<u>–</u>	<u>–</u>	<u>2,022</u>	<u>1,709,543</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Credit risk and impairment assessment – *Continued*

*Maximum exposure and period-end staging – Continued*

**As at 31 August 2022**

	12-month ECLs		Lifetime ECLs		Total
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Financial assets included in other receivables					
– Normal*	44,583				44,583
Long-term pledged deposits					
– Normal*	36,220				36,220
Trade receivable	—	—	—	3,800	3,800
Cash and cash equivalents	389,265	—	—	—	389,265
Guarantees given to banks in connection with facilities granted to the Affected Entities					
– Facilities not yet drawn					
– Facilities drawn					
– not yet past due	1,463,080	—	—	—	1,463,080
Amounts due from related parties					
	<u>1,933,148</u>	<u>—</u>	<u>—</u>	<u>3,800</u>	<u>1,936,948</u>

\* The credit quality of the financial assets included in other receivables and long-term pledged deposits 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 38. 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 reporting period, based on the contractual undiscounted payments, was as follows:

#### As at 31 August 2023

	On demand RMB'000	Less than 3 months RMB'000	More than 3 months but less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	908	2,724	3,528	—	7,160
Interest-bearing bank and other borrowings	—	239,059	717,177	1,164,933	133,658	2,254,827
Trade payables	—	1,617	—	—	—	1,617
Amounts due to related parties	—	—	—	591,187	—	591,187
Financial liabilities included in other payables and accruals	124,091	—	—	65,125	—	189,216
	<u>124,091</u>	<u>241,584</u>	<u>719,901</u>	<u>1,824,773</u>	<u>133,658</u>	<u>3,044,007</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

#### Liquidity risk – Continued

##### As at 31 August 2022

	On demand RMB'000	Less than 3 months RMB'000	More than 3 months but less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	156	467	460	—	1,083
Interest-bearing bank and other borrowings	—	15,845	518,142	811,528	168,813	1,514,328
Trade payables	—	1,352	—	—	—	1,352
Amounts due to related parties	—	—	—	934,346	—	934,346
Financial liabilities included in other payables and accruals	141,748	—	—	37,698	—	179,446
	<u>141,748</u>	<u>17,353</u>	<u>518,609</u>	<u>1,784,032</u>	<u>168,813</u>	<u>2,630,555</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 year/period is as follows:

	31 August 2023 RMB'000	31 August 2022 RMB'000
Total liabilities	<b>3,692,497</b>	3,167,797
Total assets	<b>4,535,263</b>	3,966,139
Debt-to-asset ratio	<b>81%</b>	80%

### 39 SHARE AWARD SCHEME

On 9 October 2021 (the “Adoption Date”), the Company adopted a share award scheme (the “Share Award Scheme”) to recognise the contributions of certain directors, senior management and employees of the Company and its subsidiaries, or other eligible participant(s) (“Eligible Persons”) and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date (the “Award Period”), after which period no further awards shall be offered or granted but the provisions of the Share Award Scheme shall remain in full force and effect in all other respects. The Share Award Scheme shall terminate on the earlier of (i) the tenth (10th) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board of the Company, provided that such termination shall not affect any subsisting rights of any selected participants (“Selected Participants”).

Pursuant to the Share Award Scheme, the directors of the Company may, from time to time, at its absolute discretion, select any Eligible Persons for participation in the Share Award Scheme as Selected Participants, and determine the shares to be granted, vesting criteria and conditions, and period for the shares to be vested, subject to the terms and conditions set out in the Share Award Scheme. The directors of the Company shall not grant further awards if they would result in the number of Award Shares under the Share Award Scheme exceeding 10% of the total number of shares in issue as at the date of the Adoption Date.

The Company established a trust to purchase shares of the Company for the benefit of Selected Participants under the Share Award Scheme (the “Award Shares”). Pursuant to the rules of the Share Award Scheme, the Company has entered into the trust deed with Futu Trustee Limited and appoint Futu Trustee Limited (“Trustee”) as the Trustee to assist with the administration of the Share Award Scheme and vesting of awards to be granted pursuant to the Share Award Scheme during the Award Period.

Any Award Shares shall vest in the relevant Selected Participants in accordance with the vesting schedule determined by the board of directors at its sole discretion, subject to (a) satisfaction of any vesting conditions specified in the grant letter; (b) the Selected Participants remaining an Eligible Persons at the time when the relevant Awarded Shares are scheduled to vest according to the relevant vesting schedule; and (c) the Selected Participants not having been summarily dismissed by the Group, not having been bankrupt or failed to pay his debts, not having been convicted for any criminal offence and not having been charged, convicted or held liable for any offence under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any other similar applicable laws or regulations in force from time to time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 39 SHARE AWARD SCHEME – CONTINUED

Any Award Shares made to Selected Participants shall lapse forthwith on the occurrence of any of the following:

- a) any Award Shares not accepted by the Selected Participants within the time as stipulated in the Scheme shall lapse forthwith and any Awarded Share(s) allotted and issued to, or acquired by the Trustee, if any, shall become Returned Shares;
- b) in the event that the Company, the subsidiary or the business division by which a Selected Participant is employed ceases to be a subsidiary or business division of the Group (or of a member of the Group, in the case of a business division);
- c) in the event that an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company); and
- d) in the event of the death of a Selected Participant or retirement at his normal retirement date or earlier by agreement with the Company or a subsidiary (as the case may be) at any time prior to a vesting date, unless otherwise determined by the Board in its sole and absolute discretion, all the unvested Awarded Shares in respect of such unvested Awarded Shares of such Selected Participant (or rights thereto) shall lapse upon the death of such Selected Participant or his retirement date (as the case may be). Notwithstanding other provisions of the Scheme, the Board has the power to (i) deem any unvested Awarded Shares of a deceased Selected Participant to be vested on the day immediately prior to the death of such deceased Selected Participant; or (ii) deem any unvested Awarded Shares of a Selected Participant to be vested on the day immediately prior to the retirement of such Selected Participant.

As at 31 August 2023, the Trustee held an aggregate of 45,650,000 shares of the Company purchased from the market during the year ended 31 August 2022. No shares were granted to the Eligible Persons pursuant to the Share Award Scheme during the year ended 31 August 2023.

Movements of Award Shares purchased are as follows:

	Number of shares purchased '000	Carrying Amount RMB'000
At 1 September 2021	—	—
Shares purchased from the market during the year	45,650	17,704
At 1 September 2022	45,650	17,704
Exchange differences	—	727
<b>At 31 August 2023</b>	<b>45,650</b>	<b>18,431</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023



### 40. 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 2023 RMB'000</b>	31 August 2022 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2	6
Right-of-use assets	438	1,023
Investments in subsidiaries	307	307
Total non-current assets	747	1,336
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	5,764	4,366
Prepayments and other receivables	615	487
Amounts due from subsidiaries	670,830	821,206
Total current assets	677,209	826,059
<b>CURRENT LIABILITIES</b>		
Other payables	1,071	1,097
Lease liabilities	455	576
Amounts due to subsidiaries	11,202	202,216
Total current liabilities	12,728	203,889
<b>NET CURRENT ASSETS</b>	664,481	622,170
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	665,228	623,506
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	—	455
Net assets	665,228	623,051
Share capital	26,051	26,051
Reserves (note)	639,177	597,000
Total equity	665,228	623,051

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2021	748,892	—	(84,553)	664,339
Total comprehensive expense for the year	—	—	(1,554)	(1,554)
2021 final dividend declared	(48,081)	—	—	(48,081)
Shares purchased for share award scheme	—	(17,704)	—	(17,704)
At 31 August 2022 and 1 September 2022	<b>700,811</b>	<b>(17,704)</b>	<b>(86,107)</b>	<b>597,000</b>
Total comprehensive expense for the year	—	—	42,904	42,904
Shares purchased for share award scheme	—	(727)	—	(727)
At 31 August 2023	<b>700,811</b>	<b>(18,431)</b>	<b>(43,203)</b>	<b>639,177</b>

### 41. COMPARATIVE AMOUNTS

To conform with current year's presentation, certain comparative figures for the line items shown in the consolidated statement of financial position has been represented. No further information is presented as there is no significant impact to the profit before taxation.

### 42. EVENTS AFTER THE REPORTING PERIOD

In September 2023, the University had obtained final approval from the MOE for conversion with new school name "Chengdu International Studies College" ("成都外國語學院") and change of its sponsor to Chengdu Yiaobang Commerce & Trade Co., Limited which is a wholly owned subsidiary of Sichuan Derui. No consideration shall be paid by the Group.



## 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 of Quxian”	Chengdu Experimental Foreign Languages School of Quxian* (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 High School of Chengdu Jinniu District”	Chengdu Experimental Foreign Languages High 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

## DEFINITIONS

“Chengdu Experimental Foreign Languages High School of Sichuan Tianfu New Area”	Chengdu Experimental Foreign Languages High School of Sichuan Tianfu New Area* (四川天府新區實外高級中學), 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 51% by Sichuan Derui, 49% by an independent third party
“Chengdu Foreign Languages High School of Renshou”	Chengdu Foreign Languages High School of Renshou* (仁壽成外高級中學), 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 51% by Sichuan Derui, 49% 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 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 International Studies College (Formerly known as Chengdu Institute Sichuan International Studies University)” or “University”	Chengdu International Studies College* (成都外國語學院), a private university established under the laws of the PRC and a consolidated affiliated entity of the Company, where the school sponsor’s interest is owned as to 75.7% by Sichuan Derui, and 24.3% by Xinhua Winshare, each a school sponsor. Sichuan International Studies University* (四川外國語大學) is named as a school sponsor entitled to the rights stipulated under the articles of the University and the relevant PRC laws

“Company”	Virscend Education Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 1565)
“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 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 High School of Chengdu Hi-tech Zone (成都高新區成外高級中學), 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

## DEFINITIONS

“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
“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
“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 year ended 31 August 2023
“RMB”	Renminbi, the lawful currency of the PRC
“School Sponsors’ and Directors’ Entrustment Agreements”	the school sponsors’ and directors’ rights entrustment agreements entered 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 school sponsors 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

## DEFINITIONS

“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 Chengdu Xinjin District”	Virscend High School of Chengdu Xinjin District * (成都市新津區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 owned as to 55% by Sichuan Derui, 45% by two independent third parties
“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