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Virscend Education Company Limited
成實外教育有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1565)

**ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS
ENDED 29 FEBRUARY 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Virscend Education Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 29 February 2024. This announcement, containing the full text of the 2024 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

By order of the Board of
Virscend Education Company Limited
Wang Xiaoying
Chairwoman

Hong Kong, 26 April 2024

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



VIRSCEND EDUCATION COMPANY LIMITED

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



四川外国语大学海科学园
Chengdu Institute Sichuan International Studies University (China)

2024


INTERIM REPORT





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COMPANY PROFILE

The Group is a leading provider of pre-school to grade 12 and university private education services. Through our schools, we provide education services to students in every age group from kindergarten through university. For school 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 approximately 1,481 teachers in China. In addition, the Group operates the Virscend University located in Irvine, California, the United States. On 6 March 2024, Virscend University has received initial accreditation from WSCUC, the most prestigious accreditation body in higher education in the West region of the United States. Virscend University currently offers MBA program and has graduated 43 students 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.

In 2024, one high school graduate from international program received offer to be admitted into Cornell University, and one graduate from the University gained the qualification for postgraduate entrance to Peking University with excellent performance ranking first in the Russian Language and Literature major. 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Ms. Wang Xiaoying
Mr. Deng Bangkai

COMPANY SECRETARY

Mr. Deng Bangkai

LEGAL ADVISORS

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Morgan, Lewis & Bockius
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CORPORATE INFORMATION

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PRINCIPAL BANK

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COMPANY'S WEBSITE

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STOCK CODE

1565

DATE OF LISTING

15 January 2016

FINANCIAL HIGHLIGHTS

COMPARISON OF KEY FINANCIAL FIGURES

Result of operation

	For the six months ended 29 February 2024 RMB' 000	For the six months ended 28 February 2023 RMB' 000	Change RMB' 000	Percentage Change (%)
Revenue	520,366	407,579	+112,787	+27.7%
Gross profit	179,274	139,984	+39,290	+28.1%
Profit for the period	36,846	27,004	+9,842	+36.4%
Attributable to owners of the Company	31,602	23,500	+8,102	+34.5%
Adjusted net profit	49,018	37,846	+11,172	+29.5%
Earnings per share				
Basic and diluted (RMB)	0.010	0.008	—	—

Financial ratio

	For the six months ended 29 February 2024	For the six months ended 28 February 2023
Gross profit margin (%)	34.5	34.3
Net profit margin (%)	7.1	6.6

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Tuition and other ancillary education fee

During the Reporting Period, the Group has witnessed growth of the schools operated by the Group in terms of revenue. Revenue increased from RMB407.6 million for the six months ended 28 February 2023 to RMB520.4 million for the six months ended 29 February 2024. The Group generated its revenue from (i) student fees and (ii) non-formal tutoring tuition fees. Student fees are typically comprised of tuition fees, boarding fees and consulting service fees for overseas studies.

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

	For the six months ended 29 February 2024 RMB'000	For the six months ended 28 February 2023 RMB'000	Change RMB'000	Percentage Change (%)
Tuition fees	421,895	333,277	+88,618	+26.6%
Boarding fees	27,129	22,168	+4,961	+22.4%
School canteen operations fees	42,249	31,455	+10,794	+34.3%
Educational management and consultation services fees	7,236	10,270	-3,034	-29.5%
Non-formal tutoring tuition fees	16,118	6,578	+9,540	+145.0%
Consultation services fees for overseas studies	3,552	2,316	+1,236	+53.4%
Others	2,187	1,515	+672	+44.4%
Total	520,366	407,579	+112,787	+27.7%

MANAGEMENT DISCUSSION AND ANALYSIS

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

Category of schools	For the six months ended 29 February 2024 RMB'000	For the six months ended 28 February 2023 RMB'000	Change RMB'000	Percentage Change (%)
High school	218,630	157,359	+61,271	+38.9%
University	203,265	175,918	+27,347	+15.5%
Total tuition fees	421,895	333,277	+88,618	+26.6%

The rise of the total revenue of the Group was mainly due to the new established high schools and the increase of the Group's student enrollment.

Average Tuition Fees

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

Category of schools	2023/2024 Average Tuition Fees RMB	2022/2023 Average Tuition Fees RMB
High school – domestic program	44,020	41,621
High school – international program	133,374	116,314
University	16,767	15,873

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

MANAGEMENT DISCUSSION AND ANALYSIS

Student Enrolment

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

	2023/2024	2022/2023	Change	Percentage Change (%)
High school students – domestic program	8,019	6,427	+1,592	+24.8
High school students – international program	436	444	-8	-1.8
University students	21,884	20,284	+1,600	+7.9
Total number of students	30,339	27,155	+3,184	+11.7

Future Development

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

- (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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (i) *Establishment of new high schools (primarily under asset-light model) by collaborating with third-party business partners*
- (ii) *Increase in utilisation rate of our existing school network and tuition fee*

School Utilisation

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

	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》 (the "Notice"), which set out opinions and requirements in respect of determining tuition fee of higher education institution and permitted such institutions to adjust the tuition fee and related fees every three years since September 2020. Based on the new policies, the tuition fees for new undergraduate and diploma students of the University increased to RMB17,000 and RMB15,000 since 2020/2021 school year. During the Reporting Period, the University submitted tuition adjustment application to the Education Department of Sichuan Province. Upon the reply from the Education Department of Sichuan Province and two other departments, the tuition fees for new undergraduate and diploma students of the University increased to RMB18,000 and RMB15,900 since 2024/2025 school year.

MANAGEMENT DISCUSSION AND ANALYSIS

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	RMB15,000 (diploma)
	Range from RMB17,000 to RMB20,000 (bachelor)
High-school international program	Range from RMB96,000 to RMB148,000

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

In addition to traditional high school programs, the Group also established the international department. Through nearly five years' development, the international department has managed several programs with elite international partners, mainly operating Advanced Placement (AP)/A-Level center.

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 ranked first in Southwest of China.

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 own students since later 2019 and recorded revenue of RMB3.6 million in the six months ended 29 February 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Since 2019, the Group entered into school management cooperation agreements with certain K-12 public schools and Kindergartens to provide education management and consultation services including, among others, education quality control, curriculum development, daily operation, teachers recruitment and training, branding, teaching methodology support and campus design. As at 29 February 2024, the Group provided educational management and consultation services to totally thirteen schools including six kindergartens, five K-9/K-12 schools and two high schools.

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 RMB16.1 million in the six months ended 29 February 2024.

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

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

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

Category of schools	Self-owned schools established	Schools under education management service established
	29 February 2024	29 February 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
	<u>15</u>	<u>13</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Risk Management

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

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

Interest Rate Risk

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

Liquidity Risk

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Environment, Health and Safety

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

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

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

FINANCIAL REVIEW

Revenue

Revenue, which is also the Group's turnover, represents the value of services rendered, after deducting scholarships granted and refunds made to its students during the Reporting Period. Revenue of the Group is primarily derived from tuition fees, boarding fees, school canteen services fees and 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.

Revenue increased by RMB112.8 million, or 27.7%, from RMB407.6 million for the six months ended 28 February 2023 to RMB520.4 million for the Reporting Period. This increase was primarily attributed to the increase in revenue from tuition fees and revenue from school canteen operations fees, being the increase of RMB88.6 million, or 26.6% in revenue from tuition fees for the six months ended 28 February 2023 to RMB421.9 million for the Reporting Period, and the increase of RMB10.8 million, or 34.3% in revenue from school canteen operations fees for the six months ended 28 February 2023 to RMB42.2 million for the Reporting Period. The tuition fees and school canteen operation fees which the Group received increase mainly attributable to the increase in the number of students enrolled in 2023/2024 school year. For more information on student enrolment and school utilisation, please refer to the section headed "Business Review" above.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

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

Cost of sales for the Reporting Period increased by RMB73.5 million, or 27.5%, compared with the same period last year. This increase was primarily attributable to:

- (1) Staff costs increased by RMB27.1 million, or 23.4%, compared with the same period last year, which was attributable to the increase in the number of teachers enrolled in 2023/2024 school year. The increase in the number of students enrolled in existing schools gave rise to the increase in the number of teachers enrolled;
- (2) Direct material costs of canteen operation and property management service fee together increased by RMB24.9 million, or 57.8%, compared with the same period last year, which was mainly due to the increase in the number of students and continuous improvements in quality of catering service in the Reporting Period; and
- (3) Student scholarship costs increased by RMB7.1 million, or 34.0%, compared with the same period last year, which was mainly due to the increase in the number of students for new schools opened in recent years.

Gross Profit and Gross Profit Margin

Gross profit of the Group amounted to RMB179.3 million for the Reporting Period, increased by RMB39.3 million, or 28.1%, compared with the same period last year, which was mainly attributable to the increase of average tuition fee and the number of students. For more information on student enrolment and average tuition fees, please refer to the section headed "Business Review" above.

Gross profit margin of the Group for the Reporting Period is flat compared with the six months ended 28 February 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

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

Selling and distribution expenses increased by RMB3.5 million, from RMB2.2 million for the six months ended 28 February 2023 to RMB5.7 million for the Reporting Period. The increase in selling and distribution expenses was primarily due to more advertising expenses incurred for student recruitment promotion in 2023/2024 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.

Administrative expenses for the Reporting Period decreased by RMB7.5 million, or 10.2%, compared with the same period last year, which was primarily due to the improvement in school utilisation and operation efficiency.

Other Expense 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.

Other expense for the Reporting Period increased by RMB6.0 million compared with the same period last year, primarily due to the increase of foreign exchange difference caused by depreciation of HKD against of RMB.

Finance Costs

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

Finance costs increased by RMB16.8 million, or 33.9% from RMB49.6 million for the six months ended 29 February 2023 to RMB66.4 million for the Reporting Period, mainly attributable to the interest expenses for the bank and other borrowings of RMB66.2 million for the Reporting Period, representing an increase of RMB16.7 million as compared to the interest expenses of RMB49.5 million for the six months ended 29 February 2023. The increase of interest expenses was in line with the increase in bank and other borrowings balance.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

	For the six months ended 29 February 2024 RMB'000	For the six months ended 28 February 2023 RMB'000
Net cash flows used in operating activities	(78,406)	(27,387)
Net cash flows used in investing activities	(4,279)	(22,899)
Net cash flows used in financing activities	(167,381)	(111,966)
Net decrease in cash and cash equivalents	(250,066)	(162,252)
Cash and cash equivalents at beginning of period	756,413	389,265
Effect of foreign exchange rate changes, net	120	(93)
Cash and cash equivalents at end of period	506,467	226,920

	As at 29 February 2024 RMB'000	As at 31 August 2023 RMB'000
Bank and other borrowings	2,217,108	2,117,208

Analysis of the maturity profile of the bank and other borrowings of the Group as at 29 February 2024 and 31 August 2023 is set out in note 15 to the financial statements. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS

Unaudited adjusted net profit

Adjusted net profit was derived from net profit after adjusting those items, which is not indicative of the Group's operating performance. This is not an IFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from net profit to adjusted net profit:

	For the six months ended 29 February 2024 RMB'000	For the six months ended 28 February 2023 RMB'000
Net profit	36,846	27,004
Adjustments for:		
Amortisation of intangible assets arising from the acquisition of school	4,739	10,916
Foreign exchange loss/(gain)	7,433	(74)
Adjusted net profit	49,018	37,846

EVENTS AFTER THE REPORTING PERIOD

The Virscend University received formally initial accreditation from WSCUC on 6 March 2024, which will help to expand the possibilities of recruiting international students, among others, propose new degree programs, and off-campus sites programs. Based on the accreditation, the Group will be able to provide overseas university programs to interested students graduated from our own high school.

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 29 February 2024, all 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 29 February 2024 were at fixed interest rates or floating interest rates for loans denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

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 29 February 2024, certain bank balances were denominated in HKD and USD. During the Reporting Period, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no significant investments held as at 29 February 2024, nor other material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CAPITAL COMMITMENTS

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

	29 February 2024 RMB'000	31 August 2023 RMB'000
Contracted, but not provided for:		
Buildings and equipment	180,765	183,228

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 251.2% as at 31 August 2023 to approximately 261.1% as at 29 February 2024, primarily due to the increase in the Group's interest-bearing bank borrowings.

CONTINGENT LIABILITIES

As at 29 February 2024, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 29 February 2024, RMB68.2 million (31 August 2023: RMB61.5 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.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 29 February 2024, the Group had 2,054 employees (31 August 2023: 1,904 employees).

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

The total remuneration cost incurred by the Group for the six months ended 29 February 2024 was approximately RMB177.9 million (for the six months ended 28 February 2023: RMB147.2 million).

CORPORATE GOVERNANCE/OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. The Company has complied with the code provisions of the CG Code as set out in Part 2 of Appendix C1 to the Listing Rules during the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HKD0.55 cents per ordinary share for the six months ended 29 February 2024 (interim dividend for the six months ended 28 February 2023: nil) payable on 27 May 2024 (Monday) to the Shareholders whose names appear on the register of members of the Company at the close of business on 16 May 2024 (Thursday). Such interim dividend will be paid out of the share premium account of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to interim dividend, the register of members of the Company will be closed from 14 May 2024 (Tuesday) to 16 May 2024 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 13 May 2024 (Monday).

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE/OTHER INFORMATION

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company since the date of the 2023 annual report of the Company is set out below:-

- * Mr. Chan Kim Sun has resigned as an independent non-executive director of Hong Kong Resources Holdings Company Limited, a company whose shares are listed on the Stock Exchange (Stock Code: 2882), with effect from 9 February 2024.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

STRUCTURED CONTRACTS

The foreign investor in a Sino-foreign joint venture private school for PRC students at the preschool, high school and schools offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and had taken concrete steps which the Company believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. During the Reporting Period, we also had made inquiries with relevant educational authorities to understand any regulatory developments, and assess whether we are qualified to meet the Qualification Requirement. As of the date of this interim report, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement. Therefore, it is not practicable for us to seek to apply to reorganize any of the PRC Operating Entities as a Sino-Foreign Joint Venture Private School or convert any of the University into a Sino-Foreign Joint Venture Private School. Please also refer to the section headed "**Structured Contracts**" in the Prospectus and our annual report for the years ended 31 December 2016, 2017, 2018, 2019, 2020, for the eight months ended 31 August 2021 and for the year ended 31 August 2022 and 2023 for our efforts and actions undertaken to comply with the Qualification Requirement. For the Reporting Period, the Board has reviewed the overall performance of the Structured Contracts and believed that the Group has complied with the Structured Contracts in all material respects. We have been advised by our PRC legal advisors that the Structured Contracts do not violate the relevant PRC regulations.

CORPORATE GOVERNANCE/OTHER INFORMATION

Qualification Requirement

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

The California Bureau for Private Postsecondary Education (“**BPPE**”) has approved Virscend University to grant 2 degree programs, Bachelor of Science in Business Administration (BS) and Master of Business Administration (MBA) programs on 18 November 2016. The Virscend University has graduated 43 MBA students since its opening. Virscend University has received initial accreditation from WSCUC, the most prestigious accreditation body in higher education in the West region of the United States. The Virscend University received Eligibility Status from WSCUC on 3 June 2019 and Candidacy for Accreditation on 3 March 2021, which means that the institution met or has a plan to meet all of the standards at a substantial level of compliance for accreditation. Additionally the University received its initial accreditation from WSCUC on 6 March 2024.

Recent Development

The impact of the Implementation Regulations

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

CORPORATE GOVERNANCE/OTHER INFORMATION

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

As at 29 February 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Mr. Yan Yude ⁽¹⁾	Interest in a controlled corporation and, interest of spouse	1,388,132,045	Long Position	44.94
Ms. Wang Xiaoying ⁽²⁾	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 29 February 2024, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE/OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 29 February 2024, 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 ⁽¹⁾	Beneficial owner	183,144,129	Long Position	5.93
Ms. Yan Hongjia ⁽¹⁾	Interest in a controlled corporation	183,144,129	Long Position	5.93

Notes:

- (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 29 February 2024, 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.

CORPORATE GOVERNANCE/OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

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.

CORPORATE GOVERNANCE/OTHER INFORMATION

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 1 year and 7 months.

Since the Adoption Date, no options under the Share Option Scheme have been granted, exercised, lapsed or cancelled. As of the date of this interim report, no shares are available for issuance in relation to share options granted under the Share Option Scheme.

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.

CORPORATE GOVERNANCE/OTHER INFORMATION

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 interim 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 29 February 2024 and the date of this interim 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 4 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 interim 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 interim 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.

CORPORATE GOVERNANCE/OTHER INFORMATION

UPDATES TO DISPOSAL OF WULONGSHAN HIGH SCHOOL

On 28 April 2023, Wulongshan Campus of Chengdu Experimental Foreign Languages School (成都市實驗外國語學校五龍山校區) (“Wulongshan High School”) and Chengdu Experimental Foreign Languages School of Xindu Wulongshan (成都實外新都五龍山學校) (“Wulongshan School”) held their respective board meetings and school sponsors’ meetings which resolved that the Wulongshan School and the Wulongshan High School shall be consolidated into a new school (the “New Wulongshan School”) providing compulsory education and high school education services. After the completion of the consolidation, the New Wulongshan School was excluded from the consolidation of the Group and the Wulongshan High School is deemed as disposed of from the Group’ perspective (the “Disposal”). For more details, please refer to the announcement dated 28 April 2023.

On 12 January 2024, the local authority approved the consolidation of Wulongshan School and the Wulongshan High School and granted a new license to New Wulongshan School to provide compulsory education and high school education services legally.

Prior to the Disposal, the unaudited net liability of Wulongshan High School was approximately RMB2,294,000.00 as 31 March 2023. Considering the Company changed its financial year end date from 31 December to 31 August in July 2021 (please refer to the Company’s announcement dated 30 July 2021 for further details), the audited net loss of Wulongshan High School for the eight months ended 31 August 2021 and the financial year ended 31 August 2022 was RMB18,097.83 and RMB6,235,826.10, respectively. The net proceeds of RMB0.45 million from the Disposal has been received by the Group as at the date of this interim report and is intended to be used as general working capital of the Group.

Immediately prior to the date of the Disposal, the school sponsor’s interests in Wulongshan High School was beneficially owned as to 45% by Sichuan Derui and 55% by two independent third parties. 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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 29 February 2024

	Notes	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
REVENUE	4	520,366	407,579
Cost of sales		(341,092)	(267,595)
Gross profit		179,274	139,984
Other income and gains	4	5,731	14,536
Selling and distribution expenses		(5,734)	(2,243)
Administrative expenses		(66,230)	(73,686)
Other expenses and other losses		(6,878)	(919)
Finance costs	5	(66,391)	(49,634)
PROFIT BEFORE TAX	6	39,772	28,038
Income tax expense	7	(2,926)	(1,034)
PROFIT FOR THE PERIOD		36,846	27,004
Profit for the period attributable to:			
Owners of the Company	8	31,602	23,500
Non-controlling interests		5,244	3,504
		36,846	27,004
EARNINGS PER SHARE			
– basic and diluted for the period	8	0.010	0.008

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 29 February 2024

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 29 February 2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	<u>36,846</u>	<u>27,004</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>120</u>	<u>(93)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>120</u>	<u>(93)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>120</u>	<u>(93)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>36,966</u>	<u>26,911</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	<u>31,663</u>	23,452
Non-controlling interests	<u>5,303</u>	<u>3,459</u>
	<u>36,966</u>	<u>26,911</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 29 February 2024

	Notes	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,677,681	2,643,837
Right-of-use assets		584,480	600,278
Other intangible assets		91,278	95,863
Goodwill		104,298	104,298
Long-term pledged deposits		68,210	61,460
Other non-current assets		—	3,137
Deferred tax assets		2,008	2,008
Total non-current assets		3,527,955	3,510,881
CURRENT ASSETS			
Inventories		215	183
Trade receivable	11	673	1,961
Prepayments and other receivables	10	168,011	230,465
Financial assets at fair value through profit or loss		20,656	35,360
Cash and cash equivalents		506,467	756,413
Total current assets		696,022	1,024,382
CURRENT LIABILITIES			
Trade payables	12	2,364	1,617
Other payables and accruals	13	145,790	145,986
Financial guarantee contracts		912	1,293
Interest-bearing bank and other borrowings	15	774,384	897,874
Lease liabilities		3,764	3,481
Tax payable		28,422	28,643
Contract liabilities	14	420,071	676,584
Deferred income		85	83
Total current liabilities		1,375,792	1,755,561
NET CURRENT LIABILITIES		(679,770)	(731,179)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,848,185	2,779,702

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 29 February 2024

	Notes	29 February 2,024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	1,442,724	1,219,334
Lease liabilities		2,339	3,381
Contract liabilities	14	73,516	76,516
Other payables	13	44,485	46,518
Amounts due to related parties	18	435,975	591,187
Total non-current liabilities		1,999,039	1,936,936
Net assets		849,146	842,766
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	26,051	26,051
Reserves		815,232	814,155
Non-controlling interests		841,283	840,206
		7,863	2,560
Total equity		849,146	842,766

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 29 February 2024

	Attributable to owners of the Company								
	Share capital RMB'000 Note 11	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Shares held for share award scheme RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/(accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 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	—	—	—	—	—	—	—	1,262	1,262
Share purchased for share award scheme	—	—	—	(727)	—	—	(727)	—	(727)
Capital injection from non-controlling interests	—	—	—	—	—	—	—	5,760	5,760
At 31 August 2023 and 1 September 2023 (audited)	26,051	850,244	61,434	(18,431)	(565)	(78,527)	840,206	2,560	842,766
Profit for the period	—	—	—	—	—	31,602	31,602	5,244	36,846
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	61	—	61	59	120
Total comprehensive income for the period	—	—	—	—	61	31,602	31,663	5,303	36,966
Transfer from retained profits	—	—	1,322	—	—	(1,322)	—	—	—
2023 final dividend declared	—	(30,878)	—	—	—	—	(30,878)	—	(30,878)
Share purchased for share award scheme	—	—	—	292	—	—	292	—	292
At 29 February 2024 (unaudited)	26,051	819,366	62,756	(18,139)	(504)	(48,247)	841,283	7,863	849,146

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 29 February 2024

	Notes	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		39,772	28,038
Adjustments for:			
Finance costs	5	66,391	49,634
Bank Interest income	4	(1,773)	(675)
Other interest income	4	(296)	(185)
Loss on disposal of property, plant and equipment	6	72	121
Government grants released		(67)	(1,255)
Depreciation	6	60,780	46,093
Amortisation of intangible assets	6	4,903	11,182
Depreciation of right-of-use assets	6	9,653	9,681
		179,435	142,634
Increase in inventories		(32)	(90)
Increase in prepayments, other receivables and other assets		(1,450)	(17,894)
Increase in trade payables		747	107
Increase/(decrease) in other payables and accruals		3,780	(32,745)
Decrease in contract liabilities		(259,513)	(120,743)
Cash generated used in operations		(77,032)	(28,731)
Interest received	4	1,773	675
Income tax paid		(3,147)	669
Net cash flows used in operating activities		(78,406)	(27,387)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 29 February 2024

	Notes	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(19,030)	(27,527)
Purchase of intangible assets		(318)	—
Receipt of government grants for property, plant and equipment		69	14
Purchase of financial products		(9,296)	(2,185)
Proceeds from disposal of financial products		24,000	7,062
Interest received	4	296	185
Addition of right-of-use assets		—	(448)
Net cash flows used in investing activities		(4,279)	(22,899)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		415,000	447,000
Repayments of bank loans		(283,210)	(191,600)
New other loans		180,000	188,441
Repayments of other loans		(223,897)	(229,706)
Addition to non-controlling interests		—	2,820
(Increase)/decrease in Long-term receivables		(12,750)	(10,800)
Dividends paid		(30,877)	—
Principal portion of lease payments		(2,323)	(576)
Interest paid		(59,644)	(53,125)
Repayment of related party loans		(149,679)	(264,420)
Net cash flows used in financing activities		(167,381)	(111,966)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(250,066)	(162,252)
Cash and cash equivalents at beginning of period		756,413	389,265
Effect of foreign exchange rate changes, net		120	(93)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		506,467	226,920
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		506,467	226,920
Cash and cash equivalents as stated in the statement of cash flows		506,467	226,920

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 29 February 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 August 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 August 2023.

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

IFRS 17	Insurance Contracts and the related Amendments
Amendments to IAS 1 and IFRS Practic Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Disclosure of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Revenue from contracts with customers		
Tuition fees	421,895	333,277
Boarding fees	27,129	22,168
School canteen operations fees	42,249	31,455
Educational management and consultation service fees	7,236	10,270
Non-formal tutoring tuition fees	16,118	6,578
Consultation services fees for overseas studies	3,552	2,316
Others	2,187	1,515
	<u>520,366</u>	<u>407,579</u>
Other income and gains		
Bank interest income	1,773	675
Other interest income	296	185
Foreign exchange difference, net	—	74
Government grants		
– related to assets	—	1,237
– related to income	173	6,468
Others	3,489	5,897
	<u>5,731</u>	<u>14,536</u>

5. FINANCE COSTS

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Interest on bank and other borrowings	66,165	49,485
Interest on lease liabilities	226	149
	<u>66,391</u>	<u>49,634</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

6. PROFIT BEFORE TAX

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

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Cost of services provided*	90,436	58,575
Canteen operation costs	36,411	29,600
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other allowances	161,406	132,884
Pension scheme contributions (defined contribution scheme)	14,371	12,215
Depreciation of property, plant and equipment	60,780	46,093
Amortisation of intangible assets	4,903	11,182
Depreciation of right-of-use assets	9,653	9,681
Lease payments not included in the measurement of lease liabilities	1,160	—
Bank interest income	(2,069)	(675)
Other interest income	—	(185)
Foreign exchange differences, net	7,433	(74)
Loss on disposal of items of property, plant and equipment	72	121

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

7. INCOME TAX

	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Current – PRC		
Total tax charge for the period	2,926	1,034
	2,926	1,034

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

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

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

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

According to the Implementation Regulations, not-for-profit private schools are eligible to enjoy the same preferential tax treatments as public schools. Based on the historical tax returns filed to the relevant tax authorities and the confirmations obtained previously from the local tax bureaus and local offices of the State Administration of Taxation, except for for-profit private schools, the remaining schools within the Group were exempted from corporate income tax for the six months ended 29 February 2024 and the six months ended 28 February 2023.

During the Reporting Period, entities incorporated in mainland China and generally subject to the PRC income tax cut 25% unless preferential tax treatment is available.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 3,043,111,000 (six months ended 28 February 2023: 3,043,111,000) in issue during the Reporting period.

There were no potentially dilutive ordinary shares in issue during the six months ended 29 February 2024 and the six months ended 28 February 2023, and therefore the diluted earnings per share amounts were equivalent to the basic earnings per share amounts.

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

	Six months ended 29 February 2024 (Unaudited)	Six months ended 28 February 2023 (Unaudited)
Earnings attributable to owners of the Company	31,602	23,500
Number of shares		
Weighted average number of ordinary shares in issue	3,043,111,000	3,043,111,000
Basic and diluted earnings per share (expressed in RMB per share)	0.010	0.008

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 29 February 2024, the Group acquired assets with a cost of RMB81,529,832 on additions to property, plant and equipment.

Assets with a net book value of RMB72,087 were disposed of by the Group during the six months ended 29 February 2024, and no loss resulted on disposal of items of property, plant and equipment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

An impairment analysis of financial assets included in prepayments, other receivables and other assets is performed at each reporting date by considering the probability of default of comparable companies with an estimated loss rate. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 29 February 2024, there is no indication of increased risk in loan collection mentioned above. So, no further impairment allowance was recognised.

11. TRADE RECEIVABLES

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

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Within half year	673	1,961

12. TRADE PAYABLES

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

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Within one year	2,364	1,617

Trade payables of RMB2,364,000 (31 August 2023: RMB1,617,000) are due to canteen suppliers and property management companies which are repayable within 90 days.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

13. OTHER PAYABLES AND ACCRUALS

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Current portion:		
Payables for purchase of fixed assets and construction	13,335	13,591
Accrued staff benefits and payroll	9,169	8,893
Discretionary government subsidies receipt in advance on behalf of students	7,613	21,895
Other payables	97,143	96,044
Rental fees payable	5,759	478
Accruals	12,771	5,085
	145,790	145,986
Non-current portion:		
Other payables*	44,485	46,518
	190,275	192,504

* 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 five years.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

14. CONTRACT LIABILITIES

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

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Tuition fees	318,570	555,696
School canteen operation fees	29,096	42,035
Boarding fees	25,600	40,787
Non-formal education services fees, consultation services fees for overseas studies, and educational management and consultation services fees	120,321	114,582
	493,587	753,100
Current	420,071	676,584
Non-current	73,516	76,516
	493,587	753,100

Contract liabilities include short-term advances received from students in relation to the services not yet provided and the portion of consultation services fees for overseas studies that will be provided after one year. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	29 February 2024			31 August 2023		
	Effective interest rate			Effective interest rate		
	%	Maturity	RMB'000	%	Maturity	RMB'000
Current						
Bank loans – secured	4.00-6.90	2025	240,000	4.00-6.90	2024	310,000
Current portion of long term bank loans – secured	3.80-8.00	2025	116,260	3.80-8.00	2024	161,720
Other loans – secured	6.73-8.19	2025	418,124	6.73-8.19	2024	426,154
			<u>774,384</u>			<u>897,874</u>
Non-current						
Bank loans – secured	4.80-7.00	2033	941,730	4.80-7.00	2033	694,480
Other loans – secured	6.26-8.19	2028	500,994	6.26-8.19	2027	524,854
			<u>1,442,724</u>			<u>1,219,334</u>
			<u>2,217,108</u>			<u>2,117,208</u>

	29 February 2024	31 August 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	356,260	471,720
In the second year	326,840	92,020
In the third to fifth years, inclusive	496,890	476,960
Beyond five years	118,000	125,500
	<u>1,297,990</u>	<u>1,166,200</u>
Other borrowings repayable:		
Within one year or on demand	418,124	426,154
In the second year	321,720	267,743
In the third to fifth years, inclusive	179,274	257,111
	<u>919,118</u>	<u>951,008</u>
	<u>2,217,108</u>	<u>2,117,208</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

15. INTEREST-BEARING BANK AND OTHER BORROWINGS – CONTINUED

As at 29 February 2024, the Group's bank borrowings amounting to RMB1,297,990,000 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 RMB1,297,990,000, a relative of Mr. Yan Yude and a director of the Company also provided guarantee on bank borrowings amounting to RMB95,000,000 and RMB356,000,000 respectively.

As at 29 February 2024, 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 RMB919,118,000. The other borrowings have maturities from 1 to 5 years and are guaranteed by Mr. Yan Yude, Ms. Wang Xiaoying, certain related companies controlled by Mr. Yan Yude, a relative of Mr. Yan Yude and long-term pledged deposits.

Besides, bank borrowings amounting to RMB385,000,000 out of RMB1,297,990,000 were also secured by mortgages over buildings situated in Chengdu, owned by a related party and bank borrowings amounting to RMB35,000,000 out of RMB1,297,990,000 were secured by the pledge of equity interests of Mr. Yan Yude and a relative of Mr. Yan Yude.

16. SHARE CAPITAL

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Issued and fully paid: 3,088,761,000 (31 August 2023: 3,088,761,000) ordinary shares of 1.0 cents each	<u>26,051</u>	<u>26,051</u>

17. COMMITMENTS

Capital commitments

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

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Contracted, but not provided for: Buildings and equipment	<u>180,765</u>	<u>183,228</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

18. RELATED PARTY TRANSACTIONS

(A) NAMES AND RELATIONSHIPS OF RELATED PARTIES

Name	Relationship
Mr. Yan Yude	Director of the Company
Ms. Wang Xiaoying	Spouse of Mr. Yan Yude
Ms. Xie Suhua	Mother of Mr. Yan Yude
Ms. Yan Hongjia	The daughter of Mr. Yan Yude
Mr. Ye Jiayu	Executive director of the Company
Ms. Ye Jiaqi	Mother of Ms. Yan Hongjia, Sister of Mr. Ye Jiayu
Sichuan Derui	A company controlled by Mr. Yan Yude
Chengdu Tianren Property Development Co., Ltd. ("Tianren Property")	A company controlled by Mr. Yan Yude's relatives
Chengdu Tianren Hotel Co. Ltd ("Tianren Hotel")	A company controlled by Mr. Yan Yude
USA Tianren Hotel Management Inc., ("USA Tianren Hotel")	A company controlled by Ms. Xie Suhua, mother of Mr. Yan Yude
Virscend Holdings Company Limited ("Virscend Holdings")	A company controlled by Mr. Yan Yude
Sichuan Derui Wanhua Education Management Co., LTD ("Derui Wanhua")	A company controlled by Mr. Yan Yude
Lucky Sign Global Limited ("Lucky Sign")	A company controlled by Mr. Ye Jiayu and Ms. Ye Jiaqi
Happy Venus Limited ("Happy Venus")	A company controlled by Ms. Yan Hongjia, daughter of Mr. Yan Yude

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	

As disclosed in the consolidated statement of financial position, the Group had outstanding balances due to related parties at 31 August 2023 and 29 February 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

18. RELATED PARTY TRANSACTIONS – CONTINUED

(B) OUTSTANDING BALANCES WITH RELATED PARTIES

Amounts due to related parties

	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
USA Tianren Hotel	455	1,676
Mr. Yan Yude	—	1,436
Sichuan Derui	4,494	3,155
Virscend Holdings	—	13,731
Chengdu Experimental Foreign Languages School	151,340	380,758
Chengdu Foreign Languages School	279,686	190,431
	435,975	591,187

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

(C) OTHER RELATED PARTY TRANSACTIONS

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

Nature of transaction		Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Tianren hotel	Integrated management services including receiving catering and accommodation services	761	1,112
Virscend Holdings	Loan raised	—	9,044
	Loan repayment	13,731	—

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

18. RELATED PARTY TRANSACTIONS – CONTINUED

(C) OTHER RELATED PARTY TRANSACTIONS – CONTINUED

3) LEASE WITH RELATED PARTY

On 30 November 2022, the Group had entered into the Lease Agreement with Tianren Hotel (as lessor) to use the Property for a term of 3 years from 1 December 2022 to 30 November 2025. As at 29 February 2024, the Group has total lease liabilities and right-of-use assets with Tianren Hotel as follows:

Lease liabilities	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Lease liabilities - current	3,201	3,025
Lease liabilities - non-current	1,715	3,381

Right-of-use assets	29 February 2024 RMB'000 (Unaudited)	31 August 2023 RMB'000 (Audited)
Right-of-use assets	5,237	6,733

Depreciation of right-of-use assets	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Depreciation of right-of-use assets	1,496	748

Finance costs of lease liabilities	Six months ended 29 February 2024 RMB'000 (Unaudited)	Six months ended 28 February 2023 RMB'000 (Unaudited)
Finance costs of lease liabilities	176	121

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

19. DIVIDEND

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 has been proposed by the Board has been approved by the Shareholders at the annual general meeting of the Company and dividends of RMB30,877,725.96 have been declared by the Company in January 2024, and have been paid by 9 February 2024.

The Board recommended the payment of interim dividend of HKD0.55 cents per share for six months ended 29 February 2024.

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 April 2024.

21. EVENTS AFTER THE REPORTING PERIOD

The Virscend University received formally initial accreditation from WSCUC on 6 March 2024, which will help to expand the possibilities of recruiting international students, among others, propose new degree programs, and off-campus sites programs. Based on the accreditation, the Group will be able to provide overseas university programs to interested students graduated from our own high school.

DEFINITION

“Affected Entities”	the PRC Operating Entities providing compulsory education services, which the Group lost control since 31 August 2021
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CG Code”	Corporate Governance Code set out in Appendix C1 to the Listing Rules
“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. On 15 November 2016, Sichuan Derui and Xinhua Winshare 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 condensed financial statements.
“Company”	Virscend Education Company Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 1565)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely Mr. Yan Yude and Virscend Holdings
“Director(s)”	the director(s) of the Company
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Implementation Rules”	Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) promulgated by the PRC State Council, which came into effect on 1 September 2021
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

DEFINITION

“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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
“Reporting Period”	the six months ended 29 February 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance
“Share(s)”	share(s) of HK1.0 cent each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 9 October 2021
“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

DEFINITION

“Smart Ally”	Smart Ally International Limited, a Company incorporated in the BVI with limited liability on 12 May 2015 and wholly-owned by Ms. Wang Xiaoying, the spouse of Mr. Yan Yude and the step-mother of Ms. Yan Hongjia
“Southwest China”	comprises Sichuan, Guizhou and Yunnan Provinces and Chongqing Municipality
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meanings ascribed to it in the Listing Rules. For the avoidance of doubt, the Subsidiaries included PRC Operating Entities in the Prospectus
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Structured Contracts”	collectively, the Business Cooperation Agreements, the Exclusive Technical Service and Management Consultancy Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreement, the School Sponsors’ and Directors’ Rights Entrustment Agreements, the School Sponsors’ Powers of Attorneys, the Directors’ Powers of Attorneys, the Loan Agreements and the Spouse Undertakings
“Tibet Huatai”	Tibet Huatai Education Management Consulting Co., Ltd.* (西藏華泰教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC and a wholly-owned subsidiary of the Company
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“Virscend Holdings”	Virscend Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability on 20 March 2015 and wholly-owned by Mr. Yan Yude, an executive Director and one of the Controlling Shareholders
“Xinhua Winshare”	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司) (previously known as Sichuan Xinhua Winshare Chainstore Co., Ltd.* (四川新華文軒連鎖股份有限公司)), a joint stock limited company established under the laws of the PRC with limited liability whose shares are listed on the Stock Exchange (stock code: 0811)
%	per cent

* For identification purpose only