Wisdom Education International Holdings Company Limited
光正教育國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 6068)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

HIGHLIGHTS

	For the six months ended 28 February			
	2022	2021	**Change**	**Percentage**
	RMB'000	*RMB'000*	***RMB'000***	**Change**
Revenue				
– Remaining Business	**115,773**	58,667	+57,106	+97.3%
– Affected Entities	**–**	1,032,137	-1,032,137	-100.0%
	115,773	1,090,804	-975,031	-89.4%
Profit for the period				
– Remaining Business	**54,685**	1,158	+53,527	+4,622.4%
– Affected Entities	**–**	322,049	-322,049	-100.0%
	54,685	323,207	-268,522	-83.1%
Core net profit from Remaining Business *(Note 1)*	**52,226**	23,287	+28,939	+124.3%
Basic earnings per share *(RMB cents)*	**2.52**	15.00	-12.48	-83.2%

Note 1: Core net profit from Remaining Business was derived from profit for the period excluding the results of the Affected Entities, and after adjusting for items that are not indicative of the Group's operating performance. This is not an International Financial Reporting Standards ("**IFRSs**") measure. For details, please refer to the following reconciliation and the section headed "Financial Review" in this announcement.

	For the six months ended 28 February	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**54,685**	323,207
Less:		
Profit for the period from Affected Entities	**–**	(322,049)
Profit for the period from Remaining Business	**54,685**	1,158
Adjustments for:		
Exchange (gain)/loss from Remaining Business	**(4,004)**	21,146
Share-based payments	**1,545**	983
Core net profit from Remaining Business	**52,226**	23,287

INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

The board (the "**Board**") of directors (the "**Directors**") of Wisdom Education International Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 28 February 2022. These interim results have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2022

		Six months ended 28 February			
			Remaining Business*	**Affected Entities***	**Total**
	NOTES	**2022**	2021	2021	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	*3*	**115,773**	58,667	1,032,137	1,090,804
Cost of revenue		**(35,888)**	(14,649)	(568,020)	(582,669)
Gross profit		**79,885**	44,018	464,117	508,135
Other income	*4*	**10,858**	1,212	10,209	11,421
Other gains and losses	*5*	**2,340**	15,140	17,136	32,276
Selling expenses		**(4,447)**	(2,218)	(19,891)	(22,109)
Administrative expenses		**(23,118)**	(35,056)	(108,983)	(144,039)
Finance income		**7,591**	1,202	856	2,058
Finance costs		**(4,015)**	(188)	(38,219)	(38,407)
Profit before taxation		**69,094**	24,110	325,225	349,335
Taxation	*6*	**(14,409)**	(22,952)	(3,176)	(26,128)
Profit and total comprehensive income for the period		**54,685**	1,158	322,049	323,207
Attributable to:					
Owners of the Company		**54,685**			324,914
Non-controlling interests		**–**			(1,707)
		54,685			323,207
EARNINGS PER SHARE					
Basic *(RMB cents)*	*8*	**2.52**			15.00
Diluted *(RMB cents)*	*8*	**2.52**			14.99

* Affected Entities and Remaining Business are defined in the annual financial statements for the year ended 31 August 2021. The profit or loss of Affected Entities and Remaining Business for the six months ended 28 February 2021 is additional information that the Directors of the Company consider useful and necessary to better understand the Group's results.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022

	NOTES	**At 28 February 2022** ***RMB'000*** **(unaudited)**	At 31 August 2021 *RMB'000* (audited)
Non-current Assets			
Property, plant and equipment		**1,646**	2,215
Right-of-use assets		**3,786**	5,409
Pledged bank deposits		**280,000**	–
		285,432	7,624
Current Assets			
Inventories – goods for sale		**36,221**	–
Trade receivables, deposits, prepayments and other receivables	*9*	**533,154**	710,942
Financial assets at fair value through profit or loss		**68,130**	73,254
Investments in debt securities		**112,586**	128,513
Pledged bank deposits		**80,819**	82,995
Bank balances and cash		**210,912**	402,189
		1,041,822	1,397,893
Current Liabilities			
Contract liabilities		**3,929**	18,051
Trade and other payables and accrued expenses	*10*	**190,921**	272,175
Income tax payable		**73,338**	85,067
Lease liabilities		**3,312**	3,234
Borrowings		**153,482**	174,258
Financial guarantee contracts	*11*	**271,841**	271,841
		696,823	824,626
Net Current Assets		**344,999**	573,267
Total Assets Less Current Liabilities		**630,431**	580,891

	NOTES	At **28 February 2022** *RMB'000* **(unaudited)**	At 31 August 2021 *RMB'000* (audited)
Capital and Reserves			
Share capital		**19,263**	19,263
Reserves		**385,383**	559,385
		404,646	578,648
Non-current Liabilities			
Lease liabilities		**567**	2,243
Borrowings		**225,218**	–
		225,785	2,243
		630,431	580,891

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2021 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 August 2021.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 August 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 September 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to IFRSs in the current interim period 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 the condensed consolidated financial statements.

2.1 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

2.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Leases

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in IFRS 16 to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

The Group as a lessor

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.

2.1.2 Transition and summary of effects

As at 1 September 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 August 2022.

3. REVENUE AND SEGMENT INFORMATION

The Group was mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools in the PRC and ancillary services to students. As a result of the issuance of the Implementation Regulations of the People's Republic of China (the "**PRC**") on the Law Regarding the Promotion of Private Education (the "**Implementation Regulations**") which came into effect on 1 September 2021, the business of provision of full spectrum private fundamental education conducted through Affected Entities in the PRC were deconsolidated on 31 August 2021 and the Group is no longer engaged in the operation of private schools providing compulsory education since 1 September 2021. The Remaining Business is mainly engaged in the provision of ancillary services to students of primary, middle and high schools in the PRC.

Revenue represents service income from tuition and boarding fees, ancillary services and management service fees less returns, discounts and sales related tax.

The Group's chief operating decision maker ("**CODM**") has been identified as the chief executive officer who reviews revenue analysis of the Group as a whole.

During the six months ended 28 February 2021, information reported to the CODM, for the purposes of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment is subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment as "Schools". In addition, the Group commenced the business engaging in provision of management services to certain private schools owned by independent third parties in the PRC, which is included as "Others" as the segment does not meet the quantitative thresholds for the reportable segment.

During the six months ended 28 February 2022, for the purposes of resource allocation and assessment of segment performance, the CODM reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and no other discrete financial information is provided to the CODM. Accordingly, the Group has only one reportable segment and no further analysis of this single segment is presented.

The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the period of the Group as presented in the condensed consolidated statement of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies. No analysis of the Group's assets and liabilities is regularly provided to the management of the Group for review.

The revenues attributable to the Group's service lines are as follows:

	Six months ended 28 February 2022 RMB'000 (unaudited)	Six months ended 28 February 2021 RMB'000 (unaudited)
Tuition and boarding fees	**–**	786,535
Ancillary services	**115,773**	301,438
Management service fees	**–**	2,831
	115,773	1,090,804

Disaggregation of revenue

	Six months ended 28 February 2022 RMB'000 (unaudited)	Six months ended 28 February 2021 RMB'000 (unaudited)
Timing of revenue recognition		
Recognised at a point of time		
– Ancillary services	**15,255**	187,466
Recognised over time		
– Tuition and boarding fees	**–**	786,535
– Ancillary services	**100,518**	113,972
– Management services fees	**–**	2,831
Total	**115,773**	1,090,804

4. OTHER INCOME

	Six months ended 28 February 2022 RMB'000 (unaudited)	Six months ended 28 February 2021 RMB'000 (unaudited)
Rental income from investment properties	**–**	814
Government grants *(Note)*	**10,085**	5,838
Staff quarter income	**–**	2,252
Others	**773**	2,517
	10,858	11,421

Note: Government grants mainly represent subsidies granted by certain local governments for encouraging domestic business development and unconditional subsidies for the purpose of giving financial support to the Group's operations. There are no unfulfilled conditions or contingencies relating to the above subsidies.

5. OTHER GAINS AND LOSSES

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gain (loss)	**4,004**	(21,146)
(Loss) gain on change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") *(Note)*	**(1,664)**	36,161
Recovery of receivables written off prior to acquisition of a subsidiary	**–**	18,172
Others, net	**–**	(911)
	2,340	32,276

Note: The (loss) gain on change in fair value of financial assets at FVTPL is arising from the dividends and interest income from investment in unlisted private funds (2021: unlisted private funds, unlisted trust plans and asset management plans and structure deposits) and change in fair value at the end of the reporting period.

6. TAXATION

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Taxation comprises		
Current tax:		
PRC Enterprise Income Tax	**14,382**	26,128
Hong Kong Profits Tax	**27**	–
	14,409	26,128

7. DIVIDENDS

During the six months ended 28 February 2022, a special dividend in respect of the year ended 31 August 2021 of RMB0.106 (equivalent to HK$0.128 per share) per share amounting to RMB230,232,000 (equivalent to HK$277,499,000) was paid to the shareholders of the Company (the "**Shareholders**").

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**54,685**	324,914

	Six months ended	
	28 February 2022	28 February 2021
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,167,959**	2,166,384
Effect of dilutive potential ordinary shares:		
Share options	**–**	338
Share award scheme	**115**	1,454
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,168,074**	2,168,176

For the six months ended 28 February 2022 and 2021, the weighted average number of ordinary shares for the purpose of basic earnings per share shown above have been arrived at after deducting shares held by a share award scheme trust.

9. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2022	At 31 August 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**5,268**	4,331

Trade receivables mainly represent receivables from customers, which were from contracts for provision of ancillary services. Services fee is received in accordance with the terms of the relevant agreements, the customers are allowed a credit period of 30 to 60 days from date of revenue recognition.

The following is an analysis of trade receivables net of allowance for credit losses, by age, presented based on date of revenue recognition.

	At 28 February 2022 *RMB'000* (unaudited)	At 31 August 2021 *RMB'000* (audited)
Within 3 months	**3,641**	4,331
3 to 6 months	**1,627**	–
	5,268	4,331

10. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

The credit period granted by suppliers on purchase of goods is 30 to 180 days. The Group has financial risk management policies to settle payables within the credit timeframe. As at 28 February 2022 and 31 August 2021, the trade payables were aged within 180 days based on invoice date.

11. FINANCIAL GUARANTEE CONTRACTS

	At 28 February 2022 *RMB'000* (unaudited)	At 31 August 2021 *RMB'000* (audited)
Financial guarantee contracts	**271,841**	271,841

The financial guarantee contracts provided to Affected Entities that were recognised as at 28 February 2022 and 31 August 2021. As at 28 February 2022, the aggregate amount of outstanding financial guarantees issued to banks in respect of banking facilities granted to the Affected Entities that the Group could be required to be paid amounted to RMB4,838,703,000 (as at 31 August 2021: RMB5,242,500,000) if the guarantees were called upon in entirety. The amount utilised by the Affected Entities under the bank facilities was RMB3,304,473,000 (as at 31 August 2021: RMB3,688,270,000) as at 28 February 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

As a result of the issuance of the Implementation Regulations of the People's Republic of China (the "**PRC**") on the Law Regarding the Promotion of Private Education (the "**Implementation Regulations**") which came into effect on 1 September 2021, we are no longer engaged in the operation of private schools providing compulsory education since 1 September 2021. Please refer to the annual report for the year ended 31 August 2021 (the "**2021 Annual Report**") for details. We have made a strategic shift to focus on the expansion of the asset-light Remaining Business and to actively explore the feasibility of the operation of independent high school(s). Specifically, the Group will expand its business through the following three business lines:

(1) Comprehensive Educational Services for All-rounded Development of Students

Over the past years of education experience, the Group has developed a comprehensive and mature system providing high-quality, tailor-made and enriching non-curriculum activities for students and established long-term strategic partnership with certain third party after-school tutoring institutions, which has achieved remarkable results. Our total solution services aim to provide full cycle management services of a variety of after-school enrichment activities like study tours, summer/winter camps, sports and arts group activities, etc.. Services include but are not limited to the design of the course and implementation plan, execution and technical assurance, post-activity review and assessment, in cooperation with third party after-school tutoring institutions.

(2) School-related Supply Chain Business

The Group sells daily necessities, e.g. school uniforms, bedding products, stationery products, and other educational materials. In the previous years, sales of daily necessities mostly occurred during the summer break before the new school year commenced. Leveraging on the years of experience in the supply chain management, the Group plans to expand its product offerings to meet the demands of students of different ages. The Company's wholly-owned subsidiaries incorporated in Qingyuan city, PRC will commence this business in the second half of the financial year ended 31 August 2022 and it is expected to have positive impact on the Group's revenue and profits.

(3) Spin-off the High-school Portion as a Separate School Entity

The Company, along with its PRC legal advisors as well as relevant local government authorities, have been actively exploring the feasibility of spinning-off the high school portion from the schools under the Affected Entities. The current ultimate equity holders of the Affected Entities intend to establish a new entity to become the investment holding company of the spun-off high school entity, and the Company could resume its control over such high school entity via contractual arrangements with the new investment holding company, subject to compliance with the applicable laws and regulations.

As stipulated in Article No. 53 of the Law of the PRC for Promoting Private Education (amended on 29 December 2018) (中華人民共和國民辦教育促進法（2018年12月29日修正）), “the spin-off or merger of private schools, should be after the financial liquidation, submitted by the council or the board of the school to the relevant government authorities for approval.” The Company and its PRC legal advisers are currently engaged in discussions with several accounting firms and seeking guidance from relevant local authorities regarding the financial liquidation audit for the purpose of spin-off of the high school portion.

FINANCIAL REVIEW

Profit for the six months ended 28 February 2022 of the Group amounted to RMB54.7 million (profit for the six months ended 28 February 2021: RMB323.2 million), which is all from Remaining Business (profit from Remaining Business for the six months ended 28 February 2021: RMB1.2 million and profit from Affected Entities for the six months ended 28 February 2021: RMB322.0 million). As disclosed in the 2021 Annual Report, the financial results of the Affected Entities have ceased to be consolidated in the Group as of 31 August 2021 and therefore, there is nil profit generated from Affected Entities for the current period. The Company sets out the financial review of the Remaining Business as below:

Financial Review of the Remaining Business

Revenue

During the six months ended 28 February 2022, revenue of the Remaining Business was all from ancillary services (revenue from ancillary services during the six months ended 28 February 2021: RMB55.8 million and revenue of management service fees during the six months ended 28 February 2021: RMB2.8 million). Ancillary services revenue consists of (i) comprehensive educational services, which mainly include provision of extracurricular activities and after-school care programs, school buses service, social practice, summer and winter camps; and (ii) school-related supply chain, which mainly includes sales of daily necessities and other educational materials. A further analysis of our revenue by each service line is presented as follows:

By service lines	**For the six months ended 28 February 2022**	**% of Total**	For the six months ended 28 February 2021	% of Total
Comprehensive educational services	**100,518**	**86.8**	46,851	79.9
School-related supply chain	**15,255**	**13.2**	8,985	15.3
Management service fees	**–**	**–**	2,831	4.8
Total revenue	**115,773**	**100.0**	58,667	100.0

During the six months ended 28 February 2022, the Group has experienced substantial growth of revenue by RMB57.1 million or 97.3% as compared with the same period of last year which is primarily due to the significant increase of the various activities we organised during the winter break of 2022.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our service staff, (ii) costs to other third party service suppliers in cooperation, and (iii) cost of material for the supply chain business.

Cost of revenue increased by RMB21.2 million, or 145.0%, from RMB14.6 million for the six months ended 28 February 2021 to RMB35.9 million for the six months ended 28 February 2022. The increase was largely due to the increases in staff costs to support the expansion of the Group's business.

Gross Profit

As a result of the foregoing, gross profit increased by 81.5% from RMB44.0 million for the six months ended 28 February 2021 to RMB79.9 million for the six months ended 28 February 2022.

Other Income

Other income mainly includes government grants, which represents subsidies granted by certain local governments for encouraging domestic business development and unconditional subsidies for the purpose of giving financial support to the Group's operations. There are no unfulfilled conditions or contingencies relating to the above subsidies.

The increase of other income is mainly due to the increase in government grants.

Other Gains and Losses

Other gains and losses primarily consist of (i) loss on change in fair value of financial assets at FVTPL of RMB1.7 million, and (ii) net exchange gain of RMB4.0 million resulting from the depreciation of Hong Kong dollars (HK$) against RMB during the six months ended 28 February 2022.

Selling Expenses

Selling expenses primarily consist of expenses in relation to the marketing and promotion of our services. Selling expenses increased by 100.5% from RMB2.2 million for the six months ended 28 February 2021 to RMB4.4 million for the six months ended 28 February 2022.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) travel expenses, (iii) entertainment expenses, and (iv) other expenses, which mainly consist of repair and maintenance expenses, utilities, legal and professional fees, cleaning expenses, and other administrative expenses.

Administrative expenses decreased by 34.1% from RMB35.1 million for the six months ended 28 February 2021 to RMB23.1 million for the six months ended 28 February 2022, primarily due to the Remaining Business ceased to provide any management services to the Affected Entities since 1 September 2021 as a result of the Implementation Regulations.

Finance Income

Finance income primarily consists of interest income from bank deposits and investments in debt securities. Finance income increased from RMB1.2 million for the six months ended 28 February 2021 to RMB7.6 million for the six months ended 28 February 2022.

Finance Costs

Finance costs consist of the interest expenses for bank borrowings and interest on lease liabilities.

Profit before Taxation

As a result of the foregoing, profit before taxation increased from RMB24.1 million for the six months ended 28 February 2021 to RMB69.1 million for the six months ended 28 February 2022.

Taxation

Income tax expense of the Group decreased by 37.2% from RMB23.0 million for the six months ended 28 February 2021 to RMB14.4 million for the six months ended 28 February 2022. The effective tax rate of the Group for the six months ended 28 February 2022 and the six months ended 28 February 2021 was 20.9% and 95.2%, respectively. A higher effective tax rate for the six months ended 28 February 2021 was primarily due to the income tax expense incurred on the management fee income received from the Affected Entities (such management fee income of the Remaining Business had been eliminated against the expenses of the Affected Entities during the six months ended 28 February 2021), and there was no such management fee income since 1 September 2021 after the effective of the Implementation Regulations.

Profit for the Period from Remaining Business

As a result of the above factors, profit for the period from Remaining Business increased significantly from RMB1.2 million for the six months ended 28 February 2021 to RMB54.7 million for the six months ended 28 February 2022.

Core Net Profit from Remaining Business

The Group defines its core net profit from Remaining Business as its profit for the period from Remaining Business after adjusting for those items which are not indicative of the Group's operating performances as presented in the table below. 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 as well as analysts or investors. The following table reconciles from profit for the period to core net profit from Remaining Business for the two financial periods presented below:

	For the six months ended 28 February	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**54,685**	323,207
Less:		
Profit for the period from Affected Entities	**–**	(322,049)
Profit for the period from Remaining Business	**54,685**	1,158
Adjustments for:		
Exchange (gain)/loss from Remaining Business	**(4,004)**	21,146
Share-based payments	**1,545**	983
Core net profit from Remaining Business	**52,226**	23,287

Capital Expenditure

During the six months ended 28 February 2022, the Group did not incur any capital expenditure.

Liquidity, Financial Resources and Capital Structure

The Group recorded net cash inflow from operating activities of RMB14.8 million for the six months ended 28 February 2022.

The Group's cash flow used in investing activities for the six months ended 28 February 2022 primarily consists of (i) cash outflow of RMB280.0 million for placement of pledged bank deposit, which is to raise bank borrowings, and partly set-off by (ii) cash inflow of RMB74.8 million from the settlement of amounts due from/to Affected Entities.

Primarily due to the above activities, the Group generated a net decrease in cash and cash equivalents of RMB190.2 million during the six months ended 28 February 2022.

As at 28 February 2022, the Group's total pledged bank deposits, bank balances and cash amounted to RMB571.7 million, of which the majority were denominated in HK$ and RMB (as at 31 August 2021: RMB485.2 million).

As at 28 February 2022, the Group's total bank borrowings amounted to RMB378.7 million comprising RMB153.5 million repayable within one year and RMB225.2 million repayable more than one year. The Group's bank borrowings carried interest rates ranging from 1.5% to 2.9% per annum. All the bank borrowings were denominated in HKD. During the six months ended 28 February 2022, the Group raised certain borrowings from a bank for the special dividend paid in October 2021.

In order to have a better use of our unutilised financial resources, the Group has purchased certain investment products. The Group held these investment products for short-term cash management purpose, which are classified as financial assets at FVTPL or investments in debt securities as at 28 February 2022.

The Group recorded net current assets of RMB345.0 million as at 28 February 2022 (as at 31 August 2021: RMB573.3 million).

Gearing Ratio

The Group's gearing ratio is calculated as total bank borrowings divided by total equity at the end of the relevant period/year. The Group's gearing ratio as at 28 February 2022 was 93.6% (as at 31 August 2021: 30.1%).

The increase in gearing ratio was mainly due to the increase of bank borrowings balance as at 28 February 2022.

Despite the increase in gearing ratio, taking into consideration the total pledged bank deposits, bank balances and cash of RMB571.7 million, the Group does not have any net borrowings balance as at 28 February 2022 which is calculated as total bank borrowings, net of pledged bank deposits, bank balances and cash (as at 31 August 2021: nil of net borrowings balance).

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain income and expenditures are denominated in HK$. As at 28 February 2022, certain bank balances and cash and investment products were denominated in HK$ or United States Dollars. The Group did not enter into any financial instrument for hedging purpose. The Group will continue to monitor the foreign exchange rate risk and consider hedging significant foreign currency exposure should the need arises.

Contingent Liabilities

Save for the financial guarantee provided to the Affected Entities in support of bank borrowings of the Affected Entities as disclosed in note 11 to the financial information, the Group did not have any material contingent liabilities that are required to be disclosed.

During the six months ended 28 February 2022, no additional new financial guarantees have been provided by the Group to the Affected Entities. The management of the Affected Entities is using its best endeavours to negotiate with the banks with a view to exploring the feasibility of modifying the terms of the financial guarantee contracts, and is in discussions with additional banks to secure new banking facilities to replace the existing guarantees. As at 28 February 2022, the aggregate amount of outstanding financial guarantees issued to banks in respect of banking facilities granted to the Affected Entities that the Group could be required to be paid has been reduced to RMB4,838.7 million from RMB5,242.5 million as at 31 August 2021 following by certain repayments of the existing loan balances by the Affected Entities during the period.

Pledge of Assets

As at 28 February 2022, the Group's bank borrowings were secured by pledged bank deposit and investment in unlisted private funds that were recognised as financial assets at FVTPL.

MARKET REVIEW

The PRC government has constantly emphasized the importance of all-rounded development of students, and has issued a series of policies or guidance to ensure the due and proper implementation of such. Students and parents look for systematic non-curriculum activities during the after-school time and the 2-3 months of winter and summer break each year, therefore the Company believes that the market still has significant room to grow.

After the Implementation Regulations, the Group believes that the scale of the private schools will be reduced significantly in the PRC but the intention of the Implementation Regulations is not to eliminate all the private schools. The remaining private schools will be positioned as premium and differentiated private schools which provide a diversified and different education option for the community.

OUTLOOK

Leveraging on the years of experience in the supply chain management, the Group will strive to grow the school-related supply chain business in the second half of the financial year ended 31 August 2022 by expansion of our product offerings through the Company's wholly-owned subsidiaries incorporated in Qingyuan city, PRC.

In the future, the Group aims to fully integrate its resources to build an educational service platform. The specific services include providing online education and learning products and services, comprehensive educational management services, catering management, supply of student necessities and teaching equipment, decoration and design of school, employees training and labor outsourcing services, school property management for third-party schools etc.

Future Capital Expenditure and Financing

We will operate under an asset-light model and expect that the Group's future capital expenditure will primarily be financed by cash flow generated from operating activities.

Staff Recruitment, Training and Retention

We realize the importance of our staff in provision of high quality education services. We have a well-established staff training system in which we train our outstanding staff to prepare for the role of management in the future. We provide on-going training programmes such as learning groups, project seminars and outdoor training camps for team building, where our staff share experiences, enhance skills and improve teamwork. We reward outstanding staff with high performance evaluations and require staff who do not meet our expectations to improve within a prescribed period of time.

Conclusion

The Group has strong execution ability and adaptability proven by its good track record of past performance results. Looking into the future, we will increase investments in strengthening our professional service teams, building up technology platform and marketing our educational services. We have confidence in continuing to create not only economic benefits to our shareholders, but also to create value to the students and society with our high-quality and diversified educational services.

REGULATORY UPDATE

There has been no significant update since the publication of the 2021 Annual Report. Please refer to the 2021 Annual Report for details of the regulatory update.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There has been no material acquisition and disposal of subsidiaries, associates or joint ventures during the six months ended 28 February 2022.

INVESTMENTS HELD

As at 28 February 2022, the Group held certain investment products which were classified as financial assets at FVTPL or investments in debt securities of approximately RMB180.7 million in aggregate. For the reasons for holding these investment products, please refer to the section headed "Liquidity, Financial Resources and Capital Structure" above.

EMPLOYEE BENEFITS

As at 28 February 2022, the Group had approximately 808 employees (as at 28 February 2021: approximately 6,594). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also adopted a pre-IPO share option scheme, a share option scheme and a share award scheme for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees.

Total employee remuneration (including directors' remuneration) for the six months ended 28 February 2022 amounted to approximately RMB30.2 million (for the six months ended 28 February 2021: RMB392.8 million).

EVENTS AFTER THE REPORTING PERIOD

Save for the Subscription of the Fund as disclosed in the section headed "Use of Proceeds" in this announcement, the Group had no significant events after the reporting period that are required to be disclosed.

USE OF PROCEEDS

On 18 August 2020, the Company completed the placing of 130,000,000 new shares at HK$4.24 per new share (the "**Placing**") to no less than six placees, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. The net proceeds from the Placing were approximately HK$545.7 million (equivalent to approximately RMB487.7 million) ("**Net Placing Proceeds**"). The Company intended to use the net proceeds from the Placing for construction and development of the Group's schools in the PRC and general corporate purpose. Details of the Placing are set out in the Company's announcements dated 11 August 2020 and 18 August 2020 respectively.

As a result of the deconsolidation of the Group's schools operated through the Affected Entities as of 31 August 2021, the Company believes that there is currently no longer an immediate need to apply any remaining net proceeds for construction and development of the schools in the PRC. The Company has been actively exploring various investment opportunities for the sake of enhancing the efficiency and effectiveness of capital utilisation in order to bring value to the Group and its Shareholders. On 14 April 2022, the Company (as Subscriber) entered into a subscription agreement with GLAM-HKCFC MBS FUND (the "**Fund**"), pursuant to which the Company agreed to subscribe for the participating shares designated as Class A share of the Fund at a total subscription amount of HK$117 million (equivalent to approximately RMB95.1 million) (the "**Subscription**"), which is to be settled by utilising the remaining net proceeds. The Board believes the Subscription provides an opportunity to the Company to enhance return by utilising the idle cash of the Company for long-term investment with an expected stable yield. For further details of the Fund, please refer to the Company's announcement dated 14 April 2022. The revised use of the net proceeds is set forth below:

	Intended use of Net Placing Proceeds	Utilised amount of Net Placing Proceeds as at 28 February 2022	Unutilised amount of the Net Placing Proceeds as at 28 February 2022	Revised use of the unutilised Net Placing Proceeds
	RMB million	*RMB million*	*RMB million*	*RMB million*
Construction and development of schools	150.0	46.7	103.3	–
General corporate purpose	337.7	303.8	33.9	42.1
Subscription of the Fund	–	–	–	95.1
Total:	487.7	350.5	137.2	137.2

We plan to fully utilise the unutilised net proceeds from the Placing within 2 years from the completion date of the Placing.

Save for the aforesaid changes, there is no other changes in the use of the Net Placing Proceeds. The Board will continuously assess the plans for the use of unutilised Net Placing Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 28 February 2022.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "**Scheme**") as a means to recognise the contribution of, and provide incentives for the key management personnel including Directors and senior management and employees of the Group. The shares ("**Shares**") to be awarded under the Scheme will be purchased by a trustee (the "**Trustee**") from the open market or subscribed from the Company as new Shares out of cash contributed by the Group and be held on trust for the selected participants ("**Selected Participants**") until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Scheme. The Scheme shall be subject to administration of the Board and the Trustee in accordance with the Scheme rules and the trust deed dated 7 June 2017.

As at 28 February 2022, the Trustee has purchased a total of 11,704,000 Shares (as at 31 August 2021: 11,704,000 Shares) on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). On 6 September 2018, the Board resolved to grant a total of not more than 8,400,000 Shares (the "**Awarded Shares**") to 12 Selected Participants. The Awarded Shares represent approximately 0.39% of the total issued shares of the Company as at the date of this announcement. Subject to the acceptance of grant of the Awarded Shares by the Selected Participants and the terms and conditions of the Scheme, the Awarded Shares will be vested in full in ten years according to the respective vesting schedule for the grant. Save for Mr. Li Jiuchang and Mr. Wang Yongchun, both being executive Directors, who have been granted not more than 1,500,000 and not more than 1,200,000 Awarded Shares, respectively, none of the Selected Participants is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined in the Listing Rules) of a Director, chief executive or substantial shareholder of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 28 February 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, they have confirmed that they have complied with the Model Code during the six months ended 28 February 2022.

CORPORATE GOVERNANCE

The Board has committed to achieving high corporate governance standards in order to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision C.2.1 which stipulates that the roles of chairman and chief executive ("**CEO**") should not be performed by the same individual.

Ms. Li Suwen ("**Ms. Li**") was appointed as the chairperson of the Board ("**Chairperson**") following the step down of Mr. Liu Xuebin from the position of chairman of the Board on 28 September 2018. Ms. Li performs the dual roles of both Chairperson and CEO. The Board believes that it is in the interest of the Company and its Shareholders for Ms. Li to assume the responsibilities of such positions, given that Ms. Li is one of the co-founders of the Group and has extensive experience in the operation and management of the Group as an executive Director and CEO. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises six other experienced individuals including three other executive Directors and three independent non-executive Directors. In addition, for major decisions of the Group, the Company will consult Board committees and senior management as and when appropriate. The Board will review such arrangement from time to time and will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Tam King Ching Kenny, Prof. Sun Kai Lit Cliff, *BBS, J.P.*, and Mr. Huang Weiguo, all being independent non-executive Directors of the Company. Mr. Tam King Ching Kenny is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 28 February 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules for the six months ended 28 February 2022.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.wisdomeducationintl.com. The interim report of the Group for the six months ended 28 February 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to Shareholders in due course.

By Order of the Board
Wisdom Education International Holdings Company Limited
Li Suwen
Chairperson

Dongguan, 29 April 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Liu Xuebin, Ms. Li Suwen, Mr. Li Jiuchang and Mr. Wang Yongchun; and three independent non-executive Directors, namely Prof. Sun Kai Lit Cliff, BBS, J.P., Mr. Tam King Ching Kenny and Mr. Huang Weiguo.