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)

(1) INSIDE INFORMATION;
(2) RESUMPTION OF TRADING;
AND
(3) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2021

This announcement is made by Wisdom Education International Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) and Rule 13.49(3)(i) of the Rules Governing the Listing on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

HIGHLIGHTS

	For the year ended 31 August			
	2021	2020	**Change**	**Percentage**
	RMB'000	*RMB'000*	***RMB'000***	**Change**
Revenue				
– Remaining Business	**219,666**	179,496	+40,170	+22.4%
– Affected Entities	**2,044,081**	1,613,232	+430,849	+26.7%
	2,263,747	1,792,728	+471,019	+26.3%
(Loss)/profit for the year				
– Remaining Business	**(222,086)**	40,348	-262,434	-650.4%
– Affected Entities	**(2,056,480)**	461,333	-2,517,813	-545.8%
	(2,278,566)	501,681	-2,780,247	-554.2%
Core net profit from Remaining Business *(Note 2)*	**79,156**	60,435	+18,721	+31.0%
Basic (loss)/earnings per share *(RMB cents)*	**(97.86)**	25.09	-122.95	-490.0%

Note 1: 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 Company concludes that it has lost its ability to control the Affected Entities through the Contractual Arrangements by the end of 31 August 2021, immediately before the Implementation Regulations became effective. Affected Entities and Remaining Business are defined in note 1 to the financial information. Please refer to notes 1 and 5 to the financial information and the section headed "Regulatory Update" for details of the impacts of the Implementation Regulations.

Note 2: Core net profit from Remaining Business was derived from loss/profit for the year excluding the results of the Affected Entities, and after adjusting for those items which are not indicative of the Group's operating performance. This is not an International Financial Reporting Standard ("**IFRS**") measure. For details, please refer to the following reconciliation and the section headed "Financial Review" in this announcement.

	For the year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(2,278,566)**	501,681
Less:		
Loss/(profit) for the year from Affected Entities	**2,056,480**	(461,333)
(Loss)/profit for the year from Remaining Business	**(222,086)**	40,348
Adjustments for:		
Loss on deconsolidation of Affected Entities *(Note 3)*	**271,841**	–
Exchange loss from Remaining Business	**26,569**	3,182
Share-based payments	**2,832**	5,298
Gain on change in fair value of convertible loan notes	**–**	(10,972)
Additional interest expenses on convertible loan notes based on effective coupon rate	**–**	22,579
Core net profit from Remaining Business	**79,156**	60,435

Note 3: The adjustment represented recognition of financial guarantee contracts upon the deconsolidation of Affected Entities. Please refer to note 10 to the financial information and the section headed "Liquidity, Financial Resources and Capital Structure" for details.

ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2021

The board (the "**Board**") of directors (the "**Directors**") of the Company announces the consolidated results of the Group for the year ended 31 August 2021. These annual results have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 August 2021

	Notes	**Remaining Business* 2021** *RMB'000*	**Affected Entities* 2021** *RMB'000*	**2021** *RMB'000*	Remaining Business* 2020 *RMB'000*	Affected Entities* 2020 *RMB'000*	2020 *RMB'000*
Revenue	3	**219,666**	**2,044,081**	**2,263,747**	179,496	1,613,232	1,792,728
Cost of revenue		**(78,003)**	**(1,180,790)**	**(1,258,793)**	(64,429)	(860,363)	(924,792)
Gross profit		**141,663**	**863,291**	**1,004,954**	115,067	752,869	867,936
Other income		**6,726**	**17,648**	**24,374**	512	57,765	58,277
Other gains and losses		**15,695**	**25,591**	**41,286**	53,986	7,389	61,375
Selling expenses		**(4,085)**	**(23,320)**	**(27,405)**	(1,885)	(21,397)	(23,282)
Administrative expenses		**(53,511)**	**(235,038)**	**(288,549)**	(38,079)	(215,714)	(253,793)
Finance income		**8,178**	**1,698**	**9,876**	8,702	1,167	9,869
Finance costs		**(1,485)**	**(85,948)**	**(87,433)**	(50,031)	(56,987)	(107,018)
Loss on deconsolidation of Affected Entities	5	**(271,841)**	**(2,627,428)**	**(2,899,269)**	–	–	–
(Loss)/profit before taxation		**(158,660)**	**(2,063,506)**	**(2,222,166)**	88,272	525,092	613,364
Taxation	4	**(63,426)**	**7,026**	**(56,400)**	(47,924)	(63,759)	(111,683)
(Loss)/profit and total comprehensive income (expense) for the year		**(222,086)**	**(2,056,480)**	**(2,278,566)**	40,348	461,333	501,681
Attributable to:							
Owners of the Company				**(2,119,748)**			511,871
Non-controlling interests				**(158,818)**			(10,190)
				(2,278,566)			501,681
(Loss) earnings per share							
Basic *(RMB)*				**(0.98)**			0.25
Diluted *(RMB)*				**(0.98)**			0.25

* *Affected Entities and Remaining Business are defined in note 1. The profit or loss of Affected Entities and Remaining Business are additional information that the directors of the Company consider useful and necessary to better understand the Group's result. Details of how these have been arrived at are shown in note 1.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2021

	NOTES	**2021** **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,215**	4,005,450
Right-of-use assets		**5,409**	1,569,322
Intangible assets		**–**	9,723
Goodwill		**–**	149,592
Investment properties		**–**	22,000
Trade receivables, deposits, prepayments and other receivables	*8*	**–**	522,549
Financial assets at fair value through profit or loss		**–**	30,000
		7,624	6,308,636
CURRENT ASSETS			
Inventories – goods for sale		**–**	7,697
Trade receivables, deposits, prepayments and other receivables	*8*	**710,942**	99,637
Financial assets at fair value through profit or loss		**73,254**	376,000
Investments in debt securities		**128,513**	–
Pledged bank deposits		**82,995**	3,317
Bank balances and cash		**402,189**	1,122,778
		1,397,893	1,609,429
CURRENT LIABILITIES			
Contract liabilities		**18,051**	858,305
Refund liabilities		**–**	11,091
Trade and other payables and accrued expenses	*9*	**272,175**	505,264
Income tax payable		**85,067**	134,432
Lease liabilities		**3,234**	40,801
Borrowings		**174,258**	122,600
Financial guarantee contracts	*10*	**271,841**	–
		824,626	1,672,493
NET CURRENT ASSETS (LIABILITIES)		**573,267**	(63,064)
TOTAL ASSETS LESS CURRENT LIABILITIES		**580,891**	6,245,572

	2021 *RMB'000*	2020 *RMB'000*
CAPITAL AND RESERVES		
Share capital	**19,263**	19,255
Reserves	**559,385**	2,941,271
Equity attributable to owners of the Company	**578,648**	2,960,526
Non-controlling interests	**–**	128,727
	578,648	3,089,253
NON-CURRENT LIABILITIES		
Lease liabilities	**2,243**	489,121
Borrowings	**–**	2,662,920
Deferred tax liabilities	**–**	4,278
	2,243	3,156,319
	580,891	6,245,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Wisdom Education International Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on 13 July 2010 as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent is Bright Education (Holdings) Co. Limited ("**Bright Education BVI**") (incorporated in the British Virgin Islands) and its ultimate controlling parties are Mr. Liu, who is executive director of the Company and Ms. Li Suwen ("**Ms. Li**"), who is the chairperson of the board of the Company, and is also the chief executive officer and executive director of the Company. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of principal place of business of the Company is Room 3302, 33/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company, an investment holding company, and its subsidiaries (collectively referred to as the "**Group**") are mainly engaged in the provision of full spectrum private fundamental education, including primary, middle and high schools in the People's Republic of China (the "**PRC**"), of which the entities involved in this business were deconsolidated on 31 August 2021 due to the effective of the Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (the "**Implementation Regulations**"), and ancillary services to students.

Prior to the effective of the Implementation Regulations, due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducted a substantial portion of the business through Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司) ("**Guangdong Guangzheng**") and its subsidiaries (collectively referred to as the "**Affected Entities**") in the PRC. 東莞瑞興商務服務有限公司 ("**Dongguan Ruixing**"), a wholly-owned subsidiary of the Company, has entered into the contractual arrangements (the "**Contractual Arrangements**") with Guangdong Guangzheng and their respective equity holders, which enable Dongguan Ruixing and the Group to:

- exercise effective financial and operational control over the Affected Entities;

- exercise equity holders' voting rights of the Affected Entities;

- receive substantially all of the economic interest returns generated by the Affected Entities in consideration for the corporate management and educational management consultancy services, intellectual property licensing services as well as technical and business support services provided by Dongguan Ruixing. Such services include advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions, educational software and course materials research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time; and

- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Affected Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Dongguan Ruixing may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Affected Entities. In addition, the Affected Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Dongguan Ruixing.

The Company does not have any equity interest in the Affected Entities. However, as a result of the Contractual Arrangements, the Company had power over the Affected Entities, had rights to variable returns from its involvement with the Affected Entities and had the ability to affect those returns through its power over the Affected Entities and therefore was considered to have control over the Affected Entities. Consequently, the Company regarded the Affected Entities as indirect subsidiaries. The Group had consolidated the financial position and results of Guangdong Guangzheng and its subsidiaries in the consolidated financial statements of the Group during the years ended 31 August 2020 and 31 August 2021 before the Group lost control over the Affected Entities as a result of the effect of the Implementation Regulations.

On 14 May 2021, the General Office of the State Council of the People's Republic of China (the "**PRC State Council**") announced the issuance of the Implementation Regulations, which became effective on 1 September 2021. Among other things, the Implementation Regulations prohibit social organisations and individuals from controlling a private school that provides compulsory education by means of merger, acquisition, contractual arrangements and a private school providing compulsory education is prohibited from conducting transactions with its related parties. Compulsory education in this context means the nine years of curriculum education mandated by the PRC, consisting of six years of primary education and three years of secondary education.

Under the Implementation Regulations, private schools providing compulsory education is prohibited from being controlled through contractual arrangements and conducting transactions with its related parties. Taking into account that: (i) Guangdong Guangzheng is a special purpose vehicle established as a holding company to hold interest in the Affected Entities and is engaged in investment in both compulsory education and high school education as the school sponsor or the holding company thereof; (ii) the Contractual Arrangements with Guangdong Guangzheng are narrowly tailored because it is only used to enable the Group to control the Affected Entities which engage in the operation of compulsory education and high schools; and (iii) all of the high school education service is provided in conjunction with compulsory education under the same school entities, as advised by the Group's PRC legal advisors, the Contractual Arrangements with Guangdong Guangzheng and their respective equity holders are likely to be against the spirit of the Implementation Regulations and would more likely than not violate the Implementation Regulations. The legal enforceability of the Contractual Agreements is in high doubt from 1 September 2021, the effective date of the Implementation Regulations.

Therefore, the directors of the Company assessed the implications of Implementation Regulations and concluded that, based on all relevant facts and circumstances, the ability of the Group to use its power from the Contractual Agreements to direct the relevant activities that would most significantly affect returns of the Affected Entities had ceased on 31 August 2021 immediately before the Implementation Regulations became effective.

By the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Entities. Accordingly, the directors of the Company assessed that the Group ceased its control over the Affected Entities on 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Entities was deconsolidated from the consolidated financial statements of the Group as of 31 August 2021. The remaining business of the Group subsequent to the deconsolidation of the Affected Entities are mainly engaged in the provision of ancillary services to students (the "**Remaining Business**").

The directors of the Company consider the statement of profit or loss information of the Remaining Business and Affected Entities is useful and necessary to better understand the Group's financial results for the years ended 31 August 2021 and 31 August 2020 in the context of the Implementation Regulations. As such, this additional information is presented in the consolidated statement of profit or loss and other comprehensive income.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRSs* and the following amendments to IFRSs issued by issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 September 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Covid-19-Related Rent Concessions

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories and has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

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

Amendments to IFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after 1 September 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 August 2021, the Group has several Hong Kong Interbank Offered Rate bank loans which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

    (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

(ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

Based on the Group's outstanding liabilities as at 31 August 2021, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 *Definition of Accounting Estimates*

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

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

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

3. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of full spectrum private fundamental education, including 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.

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 to the above reportable segment, during the year ended 31 August 2021, the Group commenced the business engaging in provision of management services to certain private schools owned by independent third parties in the PRC. As the segment does not meet the quantitative thresholds for the reportable segment, the segment is included as "Others".

The management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the 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.

Segment information

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31 August 2021

	Schools *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**2,260,916**	**2,831**	**2,263,747**
Segment results	**1,002,123**	**2,831**	**1,004,954**
Other income			**24,374**
Other gains and losses			**41,286**
Selling expenses			**(27,405)**
Administrative expenses			**(288,549)**
Finance income			**9,876**
Finance costs			**(87,433)**
Loss on deconsolidation of Affected Entities			**(2,899,269)**
Loss before taxation			**(2,222,166)**

For the year ended 31 August 2020

	Schools *RMB'000* (unaudited)	Others *RMB'000* (unaudited)	Consolidated *RMB'000* (unaudited)
Revenue	1,792,728	–	1,792,728
Segment results	867,936	–	867,936
Other income			58,277
Other gains and losses			61,375
Selling expenses			(23,282)
Administrative expenses			(253,793)
Finance income			9,869
Finance costs			(107,018)
Profit before taxation			613,364

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before taxation, without allocation of other income, other gains and losses, selling expenses, administrative expenses, finance income, finance cost and loss on deconsolidation of Affected Entities, attributable to the respective segment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group in both years.

Geographical information

The Group primarily operates in the PRC. Revenue of the Group is mainly generated from services and goods provided to the external customers in the PRC. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2021 ***RMB'000***	2020 *RMB'000*
Mainland, PRC	**177**	6,298,070
Hong Kong Special Administrative Region, PRC	**7,447**	10,566
	7,624	6,308,636

Revenue

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

	2021 ***RMB'000***	2020 *RMB'000*
Tuition and boarding fees	**1,579,183**	1,292,413
Ancillary services *(note)*	**681,733**	500,315
Management service fees	**2,831**	–
	2,263,747	1,792,728

Note: Revenue from ancillary services mainly includes the provision of extracurricular activities, arrangement of school buses, social practice, summer and winter camps and on campus canteen services.

4. TAXATION

	2021	2020
	RMB'000	*RMB'000*
Taxation comprises:		
Current tax:		
PRC Enterprise Income Tax ("**PRC EIT**")	**63,426**	135,012
Overprovision in prior years – PRC EIT	**(5,680)**	(2,275)
Overprovision in prior years		
– PRC withholding income tax on royalty income	**–**	(21,054)
Deferred tax credit	**(1,346)**	–
	56,400	111,683

5. LOSS ON DECONSOLIDATION OF AFFECTED ENTITIES

As referred to in note 1, by the end of 31 August 2021, it was no longer practical for the Group to make relevant decisions in order to obtain significant variable returns from the Affected Entities. Accordingly, the director of the Company assessed that the Group ceased its control over the Affected Entities by 31 August 2021 and therefore the carrying amount related to the net assets of the Affected Entities was deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

The net assets relating to the Affected Entities were RMB2,627,428,000 upon deconsolidation as at 31 August 2021. An aggregate one-off loss upon deconsolidation of the Affected Entities was recognised during the year. In addition, the Group provides financial guarantees to lender in respect of borrowing facilities of the Affected Entities with these remaining unchanged after the deconsolidation of the Affected Entities. The fair value of the resulting financial guarantee contracts recognized in the consolidated financial statements at 31 August 2021 is RMB271,841,000. The aggregate loss recognized upon loss on deconsolidation of the Affected Entities is RMB2,899,269,000.

The impact of Affected Entities on the Group's results is disclosed as additional information together in the consolidated statement of profit or loss and other comprehensive income.

6. DIVIDENDS

During the year ended 31 August 2021, an interim dividend of RMB0.067 (equivalent to HK$0.080 per share) (2020: RMB0.057 (equivalent to HK$0.062 per share)) amounting to RMB145,222,000 (equivalent to HK$174,252,000) (2020: RMB116,039,000 (equivalent to HK$126,198,000)) was paid to the shareholders of the Company.

Subsequent to the end of the reporting period, the directors of the Company declared a special dividend in respect of the year ended 31 August 2021 of RMB0.106 per share (equivalent to HK$0.128 per share) (2020: nil) amounting to RMB230,232,000 (equivalent to HK$277,499,000) (2020: nil), which was paid in October 2021 to shareholders of record before 29 September 2021.

7. (LOSS) EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**(2,119,748)**	511,871

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,166,069**	2,040,436
Effect of dilutive potential ordinary shares:		
Share options	**140**	402
Share award scheme	**1,552**	1,293
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,167,761**	2,042,131

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share shown above have been arrived at after deducting shares held by a share award scheme trust.

During the year ended 31 August 2020, the computation of diluted (loss) earnings per share does not assume the discretionary conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in an increase in earnings per share.

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

8. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**4,331**	21,389

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.

As at 1 September 2019, no trade receivables from contracts with customers was noted.

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**4,331**	21,389

9. 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 31 August 2021 and 2020, the trade payables were aged within 180 days based on invoice date.

10. FINANCIAL GUARANTEE CONTRACTS

	2021	2020
	RMB'000	*RMB'000*
Financial guarantee contracts	**271,841**	–

The financial guarantee contracts provided to Affected Entities that were recognised in the consolidated financial statements at 31 August 2021. 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 RMB5,242,500,000 if the guarantees were called upon in entirety. The amount utilised by the Affected Entities under the banking facilities was RMB3,668,270,000.

The fair value of financial guarantee contracts upon initial recognition at the date the Group lost control of the Affected Entities at 31 August 2021 is RMB271,841,000.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Established in 2003, we were the largest listed education group in South China operating premium, private primary and secondary schools as measured by student enrolment. Our target students are primarily from the middle class or above families in China. For the year ended 31 August 2021, we had a total of approximately 73,931 students including the number of students enrolled in other schools to which the Group provides management services.

On 14 May 2021, the PRC State Council announced the issuance of the Implementation Regulations, which became effective on 1 September 2021. Among other things, the Implementation Regulations prohibit social organisations and individuals from controlling a private school that provides compulsory education by means of merger, acquisition, contractual arrangements and a private school providing compulsory education is prohibited from conducting transactions with its related parties. Compulsory education in this context means the nine years of curriculum education mandated by the PRC, consisting of six years of primary education and three years of secondary education.

Since the publication of the Implementation Regulations, we continued to seek guidance from the government authorities and discuss with our PRC legal advisors and auditors to assess the impact of the Implementation Regulations. As at the date of this announcement, we have come to the conclusion that the legal enforceability of the Contractual Arrangements is in high doubt and the Company should cease to execute the Contractual Arrangements to ensure full compliance with the Implementation Rules since its effective date. Accordingly, the financial results of the Affected Entities will no longer be consolidated into the Group's consolidated financial statements since 1 September 2021, and the net assets of the Affected Entities were deconsolidated from the consolidated financial statements of the Group as at 31 August 2021. For more details, please refer to notes 1 and 5 to the financial information and the section headed "Regulatory Update".

In despite of the above, our principal of "to serve the society with honesty and integrity through our services" and "to cultivate talents with a warm and loving heart" (以誠心服務社會，以愛心培育人才) remains unchanged. At the date of this announcement, the operations of the schools operated by the Affected Entities remain normal, and we believe the management of these schools are entrusted to remain fully dedicated to the students, teachers, and our society.

We are committed to complying with all applicable PRC laws and regulations. Our Remaining Business have been conducted through our wholly-foreign-owned-entities in the PRC, and, as advised by our PRC legal advisors, the business is in compliance with the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Implementation Regulations, and other applicable PRC laws and regulations. Our Remaining Business aim to offer high quality educational services to students as a valuable supplement to the curriculum educational services provided by schools to promote an all-round development of students. Students' well-being is at the core of our values and we will continue to provide our educational services in a manner consistent with the values and attitudes in which we believe. For details of our future development, please refer to the section headed "Outlook".

For details of the financial performance of our Remaining Business and Affected Entities during the current year, please refer to the section headed "Financial Review".

Provision of Management Services to Independent Third Party Schools

The Group has entered into management services agreements with certain private schools owned by independent third parties in respect of the provision of management services by the Group to the relevant schools in return for management fee income with effect from the 2020/2021 school year. For the year ended 31 August 2021, there were approximately 4,236 students in 10 other schools which have entered into management services agreements with the Group.

This is a new service line commenced by the Group during the year and forms part of the Remaining Business.

Addition of a Private Primary School

The Group has entered into an agreement with certain independent third parties pursuant to which, among others, the independent third Parties agreed to transfer 70% sponsor interest (the "**Sponsor Interest**") of 惠州市惠陽區實驗小學 (Huiyang Experimental Primary School) ("**Huiyang Primary School**") in Huizhou city to the Group for a cash consideration of approximately RMB130.9 million. Huiyang Primary School is in close proximity to the local government of Huiyang district, Huiyang Sports Centre and Huizhounan Railway Station, and is situated on a site area of approximately 45 mu (equivalent to approximately 30,000 square metres) with a construction area of approximately 35,000 square metres. Huiyang Primary School currently has 2,569 primary school students. The Company believed that with Huiyang Primary School's long standing operating history, good reputation and its close proximity to Shenzhen, the addition of Huiyang Primary School may have synergy effect with the Group's Huizhou Guangzheng Preparatory School in Huizhou and may further expand the Group's coverage in Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**").

The transfer of the Sponsor Interest has been completed in January 2021.

The Huiyang Primary School was part of the Affected Entities which were deconsolidated from the Group on 31 August 2021.

Schools Operated by the Affected Entities

During the year ended 31 August 2021, we had a total of 69,695 students enrolled in 15 boarding schools in 13 campuses operated by the Affected Entities and an aggregate student capacity of approximately 86,500 following the addition of Huiyang Primary School in January 2021.

	Campus	Province	Curricula
1.	Dongguan Guangming School together with Dongguan Guangming Primary School ("**Dongguan Guangming Secondary and Primary Schools**")	Guangdong	Chinese curriculum for grades 1 to 12; International programmes
2.	Dongguan Guangzheng Preparatory School	Guangdong	Chinese curriculum for grades 1 to 12; International programmes
3.	Huizhou Guangzheng Preparatory School	Guangdong	Chinese curriculum for grades 1 to 12; International programmes
4.	Panjin Guangzheng Preparatory School	Liaoning	Chinese curriculum for grades 1 to 12
5.	Weifang Guangzheng Preparatory School	Shandong	Chinese curriculum for grades 1 to 12
6.	Jieyang Jiedong Guangzheng Preparatory School ("**Jieyang Guangzheng School**")	Guangdong	Chinese curriculum for grades 1 to 12
7.	Weifang Weizhou Foreign Language School ("**Weifang Weizhou School**")	Shandong	Chinese curriculum for grades 1 to 6
8.	Guang'an Guangzheng Preparatory School	Sichuan	Chinese curriculum for grades 1 to 12
9.	Zhang Pu Longcheng School and Zhang Pu Longcheng Primary School ("**Zhang Pu Longcheng Schools**")	Fujian	Chinese curriculum for grades 1 to 12
10.	Bazhong Guangzheng Preparatory School	Sichuan	Chinese curriculum for grades 1 to 12

Campus	Province	Curricula
11. Yunfu Guangming Foreign Language School	Guangdong	Chinese curriculum for grades 1 to 12
12. Shunde Guangzheng Preparatory School	Guangdong	Chinese curriculum for grades 1 to 12
13. Huiyang Primary School	Guangdong	Chinese curriculum for grades 1 to 6

Student Enrolment of Schools Operated by the Affected Entities

As the number of students withdrawn from our schools and the number of transferred students were insignificant, the student enrolment as of the beginning of the respective school year is indicative of the student enrolment for the respective school year. On such basis, the student enrolment of self-owned schools has increased from 60,116 for the year ended 31 August 2020 to 69,695 for the year ended 31 August 2021, representing an increase of 15.9%. The increase was primarily due to the increase in Huizhou Guangzheng Preparatory School by over 3,000, the increase in Guang'an Guangzheng Preparatory School, Bazhong Guangzheng Preparatory School, Yunfu Guangming Foreign Language School and Shunde Guangzheng Preparatory School by over 2,000 following the phase by phase completion of the construction projects to expand the school capacity, and the acquisition of Huiyang Primary School in January 2021 with 2,569 primary school students. The following table sets forth the student enrolment by section for the year ended 31 August 2021 and 31 August 2020:

Student Enrolment by Section	**School Year 2020/2021**	**% of Total**	School Year 2019/2020	% of Total
High school	**15,303**	**22.0**	13,534	22.5
Middle school	**27,134**	**38.9**	25,376	42.2
Primary school	**26,874**	**38.6**	20,875	34.7
International programmes	**384**	**0.5**	331	0.6
Total number of students	**69,695**	**100.0**	60,116	100.0

FINANCIAL REVIEW

Loss for the year of the Group amounted to RMB2,278.6 million for the year ended 31 August 2021 (profit for the year ended 31 August 2020: RMB501.7 million), comprised of loss from Remaining Business of RMB222.1 million (profit from Remaining Business for the year ended 31 August 2020: RMB40.3 million), and loss from Affected Entities of RMB2,056.5 million (profit from Affected Entities for the year ended 31 August 2020: RMB461.3 million).

Financial Review of the Remaining Business

Revenue

	For the year ended 31 August			
	2021	**% of Total**	2020	% of Total
By Service lines	***RMB'000***		*RMB'000*	
Ancillary services	**216,835**	**98.7**	179,496	100
Management service fees	**2,831**	**1.3**	–	–
Total revenue	**219,666**	**100**	179,496	100

Ancillary services revenue of the Remaining Business mainly include the provision of extracurricular activities, arrangement of school buses, social practice, and summer and winter camps.

The Group's revenue increased by RMB40.2 million, or 22.4%, from RMB179.5 million for the year ended 31 August 2020 to RMB219.7 million for the year ended 31 August 2021. During the current and prior years, revenue from Remaining Business is mainly derived from ancillary services provided to students in the schools operated by the Affected Entities. The increase of revenue is mainly due to the increase in the number of students we provided services to and the impact of the novel coronavirus ("**COVID-19**") on last year's operations.

Cost of Revenue

Cost of revenue increased by RMB13.6 million, or 21.1%, from RMB64.4 million for the year ended 31 August 2020 to RMB78.0 million for the year ended 31 August 2021 which was primarily due to the increase in revenue.

Gross Profit

As a result of the foregoing, gross profit increase by 23.1% from 115.1 million for the year ended 31 August 2020 to RMB141.7 million for the year ended 31 August 2021. Our gross profit margin remained stable at 64.5% for the year ended 31 August 2021 compared with that of 64.1% for the year ended 31 August 2020.

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) gain on change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") arising from interest income from investment products of RMB42.2 million, (ii) net exchange losses of RMB26.6 million resulting from the depreciation of Hong Kong dollars (HK$) against RMB during the year ended 31 August 2021.

Selling Expenses

Selling expenses primarily consist of expenses in relation to the marketing and promotion of our services.

Selling expenses increased from RMB1.9 million for the year ended 31 August 2020 to RMB4.1 million for the year ended 31 August 2021.

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 increased by 40.5% from RMB38.1 million for the year ended 31 August 2020 to RMB53.5 million for the year ended 31 August 2021, primarily due to the increase in staff costs to enhance the quality of our services, and the impact of COVID-19 on our operations during the prior year.

Finance Income

Finance income primarily consists of interest income from bank deposits and investments in debt securities.

Finance income decreased from RMB8.7 million for the year ended 31 August 2020 to RMB8.2 million for the year ended 31 August 2021.

Loss on deconsolidation of Affected Entities

The loss was from recognition of financial guarantee contracts upon the deconsolidation of Affected Entities. Please refer to note 10 to the financial information and the section headed "Liquidity, Financial Resources and Capital Structure" for details.

Finance Costs

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

Finance costs decreased from RMB50.0 million for the year ended 31 August 2020 to RMB1.5 million for the year ended 31 August 2021, primarily due to the full repayment of the convertible loan notes during the year ended 31 August 2020.

Loss before Taxation

As a result of the foregoing, loss before taxation amounted to RMB158.7 million for the year ended 31 August 2021.

Taxation

Income tax expense of the Group increased by 32.3% from RMB47.9 million for the year ended 31 August 2020 to RMB63.4 million for the year ended 31 August 2021.

Loss for the Year from Remaining Business

As a result of the above factors, loss for the year of the Group from the Remaining Business amounted to RMB222.1 million for the year ended 31 August 2021.

Core Net Profit from Remaining Business

The Group defines its core net profit from Remaining Business as its profit for the year 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 loss/profit for the year to core net profit from Remaining Business for the two financial years presented below:

	For the year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(2,278,566)**	501,681
Less:		
Loss/(profit) for the year from Affected Entities	**2,056,480**	(461,333)
(Loss)/profit for the year from Remaining Business	**(222,086)**	40,348
Adjustments for:		
Loss on deconsolidation of Affected Entities (Note 1)	**271,841**	–
Exchange loss from Remaining Business	**26,569**	3,182
Share-based payments	**2,832**	5,298
Gain on change in fair value of convertible loan notes	**–**	(10,972)
Additional interest expenses on convertible loan notes based on effective coupon rate	**–**	22,579
Core net profit from Remaining Business	**79,156**	60,435

Note 1: The adjustment represented recognition of financial guarantee contracts upon the deconsolidation of Affected Entities. Please refer to note 10 to the financial information and the section headed "Liquidity, Financial Resources and Capital Structure" for details.

Core net profit from Remaining Business increased by RMB18.7 million, or 31.0%, from RMB60.4 million for the year ended 31 August 2020 to RMB79.2 million for the year ended 31 August 2021. Core net profit margin of Remaining Business increased from 33.7% for the year ended 31 August 2020 to 36.0% for the year ended 31 August 2021.

Financial Review of the Affected Entities

Revenue

	For the year ended 31 August			
	2021	**% of Total**	2020	% of Total
By Service lines	***RMB'000***		*RMB'000*	
Tuition and boarding fees	**1,579,183**	**77.3**	1,292,413	80.1
Ancillary services	**464,898**	**22.7**	320,819	19.9
Total revenue	**2,044,081**	**100**	1,613,232	100

Tuition and boarding fees

Our school year normally runs from 1 September to 31 August (including a summer vacation) and each school year is divided into two school terms. Our tuition and boarding fees are generally paid in advance prior to the commencement of each school term. We initially record such payments as contract liabilities and then recognize tuition and boarding fees as revenue proportionately over the relevant period in each school year.

Ancillary Services

Ancillary services revenue of the Affected Entities mainly include fees received from on campus canteen services.

Compared with that for the year ended 31 August 2020, revenue of the Affected Entities for the year ended 31 August 2021 increased by 26.7% primarily due to the increase in overall student enrolment.

Loss/Profit for the Year of the Affected Entities

The business operation of schools of the Affected Entities remained stable during the current year. Before the one-off loss recognised upon deconsolidation of the net assets of the Affected Entities, profit contributed by the Affected Entities increased by 23.7% from RMB461.3 million for the year ended 31 August 2020 to RMB570.9 million for the year ended 31 August 2021, which is primarily due to the increase in revenue.

Taking into account the one-off loss on deconsolidation of Affected Entities of RMB2,627.4 million, loss for the year of the Affected Entities amounted to RMB2,056.5 million for the year ended 31 August 2021 (profit of the Affected Entities for the year ended 31 August 2020: RMB461.3 million).

Capital Expenditure

For the year ended 31 August 2021, the Group paid approximately RMB1,147.3 million for the acquisition of property, plant and equipment and paid approximately RMB21.4 million for the right-of-use assets for the schools operated by the Affected Entities. Capital expenditure was mainly incurred by the Affected Entities during the year ended 31 August 2021.

Liquidity, Financial Resources and Capital Structure

The Group recorded net cash inflow from operating activities of RMB723.5 million for the year ended 31 August 2021.

During the year ended 31 August 2021, the capital expenditures for the acquisition of property, plant and equipment and right-of-use assets were financed partly by cash flow from operating activities and partly by new bank borrowings raised.

For the year ended 31 August 2021, the Group generated a net decrease in cash and cash equivalents of RMB703.3 million, primarily due to the decrease of cash and cash equivalents of the Affected Entities upon its deconsolidation as at 31 August 2021.

As at 31 August 2021, the Group's total pledged bank deposits, bank balances and cash amounted to RMB485.2 million, of which the majority were denominated in HK$ and RMB(as at 31 August 2020: RMB1,126.1 million).

As at 31 August 2021, the Group's total bank borrowings amounted to RMB174.3 million repayable within one year. The Group's bank borrowings carried variable interest rates ranging from 1.5% to 2.7% per annum. All the bank borrowings were denominated in HK$.

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 were classified as financial assets at FVTPL or investments in debt securities as at 31 August 2021.

The Group recorded net current assets of RMB573.3 million as at 31 August 2021 (net current liabilities as at 31 August 2020: RMB63.1 million) primarily as a result of the de-consolidation of the Affected Entities as at 31 August 2021.

Included in the net current assets of the Group as at 31 August 2021 the following balances were related to the Affected Entities:

(i) As as 31 August 2021, the Group provided financial guarantee to the Affected Entities in respect of certain banking facilities granted by banks to the Affected Entities, details of which is disclosed in note 10 to the financial information. The fair value of financial guarantee contracts of RMB271.8 million has been recognised as a current liability as at 31 August 2021 and the same amount was included in loss on deconsolidation of Affected Entities in the consolidated statement of profit or loss for the year ended 31 August 2021.

Such guarantees were provided prior to the deconsolidation during which the Affected Entities remained as members of the Group. Subsequent to the deconsolidation and as at the date hereof, such guarantees remain in existence without renewal or variation of the terms thereof. As at the date of this announcement, the operations of the Affected Entities remain normal and the Group does not expect any material cash outflows as a result of these financial guarantee contracts.

(ii) As at 31 August 2021, amounts due from the Affected Entities of RMB664.6 million and due to the Affected Entities of RMB208.8 million were recognised upon the de-consolidation and included in trade receivables, deposits, prepayments and other receivables of current assets and trade and other payables and accrued expenses of current liabilities, respectively. The Group expects that the amount will be gradually settled by the Affected Entities.

Subsequent to the deconsolidation, no new guarantee or other financial assistance has been provided by the Company, Dongguan Ruixing or any other members of the remaining Group to any of the Affected Entities.

Gearing Ratio

The Group's gearing ratio is calculated as total bank and other borrowings divided by total equity at the end of the relevant year. The Group's gearing ratio as at 31 August 2021 was 30.1% (as at 31 August 2020: 90.2%).

The decrease in gearing ratio was primarily due to the deconsolidation of the Affected Entities as at 31 August 2021.

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$. As at 31 August 2021, certain bank balances and cash and investment products were denominated in HK$ 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 as disclosed in note 10 to the financial information and the section headed "Liquidity, Financial Resources and Capital Structure", the Group did not have any material contingent liabilities that are required to be disclosed.

Pledge of Assets

As at 31 August 2021, 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.

OUTLOOK

As a result of the Implementation Regulations and taking into account of the opinions from our PRC legal advisors, we have ceased to control any of our schools of the Affected Entities through the Contractual Arrangements since 31 August 2021, which has significantly reduced the risks and uncertainties relating to our current Contractual Arrangements. We will explore future opportunities in setting up independent high schools and vocational education schools in a manner that are in compliance with the applicable laws and regulations of the PRC.

We have accumulated valuable management experience from the past 20 years of operation of schools with the ability to provide an array of value-added services to schools and students, including school catering management, educational supply chain management, school property management, teachers training and recruitment, etc. In the past we mainly provided services to students in our own brand schools under Guangdong Guangzheng. In the future, we will integrate our resources and shift our strategic focus towards building up a comprehensive educational supply chain platform and continuously enhancing the quality of our educational products and services offerings, to serve more students not only in the schools of Guangdong Guangzheng. We aim to become a one-stop educational services provider to promote the all-round development of students.

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 mentoring program 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 discussion groups, seminars and outdoor training camps, 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

Looking into the future, we will increase our investments to strengthen our professional service team, build up educational service platforms and expand our service offerings in the educational sector. Leveraging on our strong execution ability and years of experiences in the industry, we will continue to provide high quality and diversified educational services, not only to create economic benefits to our shareholders, but also to create value to the students and society as a whole.

REGULATORY UPDATE

The Implementation Regulations

On 14 May 2021, the PRC State Council announced the issuance of the Implementation Regulations, which became effective on 1 September 2021. Among other things, the Implementation Regulations prohibit social organisations and individuals from controlling a private school that provides compulsory education by means of merger, acquisition, contractual arrangements and a private school providing compulsory education is prohibited from conducting transactions with its related parties. Compulsory education in this context means the nine years of curriculum education mandated by the PRC, consisting of six years of primary education and three years of secondary education.

Since the publication of the Implementation Regulations, we continued to seek guidance from the government authorities and discuss with our PRC legal advisors and auditors to assess the impact of the Implementation Rules.

Taking into account that: (i) Guangdong Guangzheng is a special purpose vehicle established as a holding company to hold interest in the other Affected Entities and is engaged in investment in both compulsory education and high school education as the school sponsor or the holding company thereof; (ii) the Contractual Arrangements with Guangdong Guangzheng are narrowly tailored because it is only used to enable the Group to control the Affected Entities which engage in the operation of compulsory education and high schools; and (iii) all of the high school education service is provided in conjunction with compulsory education under the same school entities, as advised by our PRC legal advisors, the Contractual Arrangements with Guangdong Guangzheng and their respective equity holders is likely to be against the spirit of the Implementation Regulations and would more likely than not violate the Implementation Regulations. The legal enforceability of the Contractual Agreements is in high doubt from 1 September 2021, the effective date of the Implementation Regulations. Considering all relevant facts and circumstances, our PRC legal advisors are of the opinion that should the Group continue to execute the Contractual Arrangements, it could have a high risk of being judged by the relevant government authorities to violate the Implementation Regulations and impose fines, confiscation of relevant income, or other requirements on the Group.

Therefore, we assessed the implications of this new regulation on our financial statements and concluded that, based on all relevant facts and circumstances, the ability of the Group to use its power from the Contractual Agreements to direct the relevant activities that would most significantly affect returns of the Affected Entities had ceased on 31 August 2021, immediately before the Implementation Regulations became effective.

Taking into account the advice from the Group's PRC legal advisors, the Board is of the opinion that ceasing to execute any of the Contractual Agreements is an appropriate and necessary compliance measure, which has followed the spirit of the Implementation Regulations, and will reduce the risk of any non-compliance with the applicable PRC laws and regulations to an acceptable low level, and therefore in the interest of the Company and its shareholders as a whole given the circumstances.

The Opinion

In July 2021, the General Office of the Chinese Communist Party and the General Office of the State Council of the PRC published the Opinion on Further Easing the Workload of Students in Compulsory Education and Burden of After-school Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the "**Opinion**"). The Opinion contains certain requirements and restrictions related to online and offline after-school tutoring services.

Our Remaining Business are not engaged in any after-school tutoring services relating to compulsory education, and we will continue to comply with all applicable PRC rules and regulations in relation to the provision of educational services.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the addition of Huiyang Primary School (which had been deconsolidated as at 31 August 2021) as disclosed in the section headed "Business Review", the Group had no other material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 August 2021.

INVESTMENTS HELD

As at 31 August 2021, the Group held certain investment products which were classified as financial assets at FVTPL or investments in debt securities of approximately RMB201.8 million in aggregate. For the reasons for holding these investments products, please refer to the section headed "Liquidity, Financial Resources and Capital Structure" above.

EMPLOYEE BENEFITS

As at 31 August 2021, the Group, including both the Remaining Business and Affected Entities had approximately 6,800 employees (as at 31 August 2020: approximately 6,600), among which approximately 700 employees were relating to the Remaining Business. 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) of both the Remaining Business and Affected Entities for the year ended 31 August 2021 amounted to approximately RMB816.3 million (for the year ended 31 August 2020: RMB617.3 million).

EVENTS AFTER THE REPORTING PERIOD

Up to the date of 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). 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 at 31 August 2021, the Company has applied the net proceeds of approximately RMB334.4 million from the Placing as follows:

- Approximately RMB46.7 million has been utilised towards construction and development of the Group's schools in the PRC; and

- Approximately RMB287.7 million has been utilised for general corporate purpose.

We anticipated to use up the unutilized net proceeds from the Placing within 2 years from the completion date of the Placing. We intended to use up the unutilized net proceeds for general corporate purpose.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 August 2021.

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 (the "**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 (the "**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 31 August 2021, the Trustee has purchased a total of 11,704,000 Shares (as at 31 August 2020: 11,704,000 Shares) on 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, 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

Save as disclosed in the section headed "Share Award Scheme" above, during the year ended 31 August 2021, 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 year ended 31 August 2021.

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 A.2.1 which stipulates that the roles of chairman ("**Chairperson**") and chief executive ("**CEO**") should not be performed by the same individual.

Ms. Li Suwen ("**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 audited consolidated financial statements of the Group for the year ended 31 August 2021 and has met with the independent auditor, Deloitte Touche Tohmatsu. 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 year ended 31 August 2021.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Group for the year ended 31 August 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to Shareholders in due course.

RESUMPTION OF TRADING

Trading in the shares of the Company (Stock Code: 6068) on the Stock Exchange has been suspended with effect from 9:00 a.m. on 29 November 2021. Application has been made by the Company to the Stock Exchange for the resumption of the trading in the shares of the Company (Stock Code: 6068) with effect from 9:00 a.m. on 20 December 2021.

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

Dongguan, 17 December 2021

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.