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Wisdom Education International Holdings Company Limited
睿見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 2021

HIGHLIGHTS

The Board has resolved to recommend the payment of an interim dividend of RMB0.067 (equivalent to HK$0.080) per share for the six months ended 28 February 2021 (six months ended 29 February 2020: RMB0.057 (equivalent to HK$0.062) per share).

	Six months ended 28 February 2021	Six months ended 29 February 2020	Change	Percentage Change
Total number of students enrolled	**73,931**	60,116	**+13,815**	**+23.0%**

	Six months ended 28 February 2021 *RMB'000* (unaudited)	Six months ended 29 February 2020 *RMB'000* (unaudited)	Change *RMB'000*	Percentage Change
Revenue	**1,090,804**	932,172	**+158,632**	**+17.0%**
Gross profit	**508,135**	435,625	**+72,510**	**+16.6%**
Profit for the period	**323,207**	258,411	**+64,796**	**+25.1%**
Core net profit (Note 1)	**376,265**	288,267	**+87,998**	**+30.5%**
Basic earnings per share *(RMB cents)*	**15.00**	12.65	**+2.35**	**+18.6%**

Note 1: Core net profit was derived from profit for the period after adjusting for those items which 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.

	Six months ended	
	28 February	29 February
	2021	2020
	RMB'000	*RMB'000*
Profit for the period	**323,207**	258,411
Adjustments for:		
Exchange loss/(gain)	**21,146**	(1,618)
Gain on change in fair value of convertible loan notes	—	(1,037)
Share-based payments	**983**	3,567
Amortisation of intangible assets arising from the acquisition of schools	**4,066**	8,374
Additional interest expenses on convertible loan notes based on actual coupon rate	—	12,916
Additional expenses arising from the adoption of IFRS 16 *(Note 2)*	**26,863**	7,654
Core net profit	**376,265**	288,267

Note 2: The adjustment represented the difference of (a) the actual rental expenses payable before the application of IFRS 16 and (b) the total of depreciation of right-of-use assets and the interest portion of lease liabilities charged to profit or loss less the finance income on refundable rental deposits paid credited to profit or loss arising from the adoption of IFRS 16.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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 2021. These interim results have been reviewed by the Company's audit committee (the "**Audit Committee**") and the Company's external auditor, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

		Six months ended	
		28 February	29 February
	NOTES	**2021**	2020
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,090,804**	932,172
Cost of revenue		**(582,669)**	(496,547)
Gross profit		**508,135**	435,625
Other income	*4*	**11,421**	50,310
Other gains and losses	*5*	**32,276**	39,772
Selling expenses		**(22,109)**	(20,156)
Administrative expenses		**(144,039)**	(140,142)
Finance income		**2,058**	7,353
Finance costs		**(38,407)**	(52,147)
Profit before taxation		**349,335**	320,615
Taxation	*6*	**(26,128)**	(62,204)
Profit and total comprehensive income for the period	*7*	**323,207**	258,411
Attributable to:			
Owners of the Company		**324,914**	266,515
Non-controlling interests		**(1,707)**	(8,104)
		323,207	258,411
EARNINGS PER SHARE			
Basic *(RMB cents)*	*9*	**15.00**	12.65
Diluted *(RMB cents)*	*9*	**14.99**	12.59

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2021

	NOTES	**At 28 February 2021** ***RMB'000*** **(unaudited)**	At 31 August 2020 *RMB'000* (audited)
Non-current Assets			
Property, plant and equipment		**4,609,940**	4,005,450
Right-of-use assets		**1,668,242**	1,569,322
Intangible assets		**10,557**	9,723
Goodwill		**215,942**	149,592
Investment properties		**22,000**	22,000
Trade receivables, deposits, prepayments and other receivables	*10*	**516,235**	522,549
Financial assets at fair value through profit or loss		**380,000**	30,000
		7,422,916	6,308,636
Current Assets			
Inventories — goods for sale		**6,347**	7,697
Trade receivables, deposits, prepayments and other receivables	*10*	**386,502**	99,637
Financial assets at fair value through profit or loss		**77,434**	376,000
Investments in debt securities		**33,716**	—
Pledged bank deposits		**3,321**	3,317
Bank balances and cash		**652,536**	1,122,778
		1,159,856	1,609,429
Current Liabilities			
Contract liabilities		**860,556**	858,305
Refund liabilities		**3,685**	11,091
Trade and other payables and accrued expenses	*11*	**563,874**	505,264
Income tax payable		**131,285**	134,432
Lease liabilities		**48,318**	40,801
Borrowings		**560,620**	122,600
		2,168,338	1,672,493
Net Current Liabilities		**(1,008,482)**	(63,064)
Total Assets Less Current Liabilities		**6,414,434**	6,245,572

	At 28 February 2021 *RMB'000* (unaudited)	At 31 August 2020 *RMB'000* (audited)
Capital and Reserves		
Share capital	**19,263**	19,255
Reserves	**3,141,797**	2,941,271
Equity attributable to owners of the Company	**3,161,060**	2,960,526
Non-controlling interests	**157,111**	128,727
	3,318,171	3,089,253
Non-current Liabilities		
Lease liabilities	**525,385**	489,121
Borrowings	**2,566,600**	2,662,920
Deferred tax liabilities	**4,278**	4,278
	3,096,263	3,156,319
	6,414,434	6,245,572

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 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 (the "**Listing Rules**").

As of 28 February 2021, the Group recorded net current liabilities of RMB1,008,482,000 (as of 31 August 2020: RMB63,064,000). In view of these circumstances, the directors of the Company (the "**Directors**") have given consideration of the future liquidity and performance of the Group and its available sources of finance, including unutilised bank facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The condensed consolidated financial statements have been prepared on a going concern basis because the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group's cash flow projection, unutilised bank facilities and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and 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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 August 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and 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 2020 for the preparation of the Group's condensed 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

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current 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 these condensed consolidated financial statements.

2.1 Impacts of application on 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 period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 August 2021.

2.2 Impacts and accounting policies on application on Amendments to IFRS 3 "Definition of a Business"

2.2.1 Accounting policies

Business combinations or asset acquisitions

<u>Optional concentration test</u>

Effective from 1 September 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

2.3 Impacts and accounting policies on application on Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

2.3.1 Accounting policies

Leases

<u>Covid-19-related rent concessions</u>

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "**Leases**" if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.3.2 Transition and summary of effects

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

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 People's Republic of China (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 six months ended 28 February 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 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 2021	29 February 2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tuition and boarding fees	**786,535**	670,852
Ancillary services	**301,438**	261,320
Management service fees	**2,831**	—
	1,090,804	932,172

Segment revenue and results

For the six months ended 28 February 2021 (unaudited)

	Schools	**Others**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Revenue	**1,087,973**	**2,831**	**1,090,804**
Segment results	**505,304**	**2,831**	**508,135**
Other income			**11,421**
Other gains and losses			**32,276**
Selling expenses			**(22,109)**
Administrative expenses			**(144,039)**
Finance income			**2,058**
Finance costs			**(38,407)**
Profit before taxation			**349,335**

For the six months ended 29 February 2020 (unaudited)

	Schools *RMB'000* (unaudited)	Others *RMB'000* (unaudited)	Consolidated *RMB'000* (unaudited)
Revenue	932,172	—	932,172
Segment results	435,625	—	435,625
Other income			50,310
Other gains and losses			39,772
Selling expenses			(20,156)
Administrative expenses			(140,142)
Finance income			7,353
Finance costs			(52,147)
Profit before taxation			320,615

Disaggregation of revenue

	Six months ended	
	28 February 2021 ***RMB'000*** **(unaudited)**	29 February 2020 *RMB'000* (unaudited)
Timing of revenue recognition		
Recognised at a point of time		
— Ancillary services	**187,466**	180,368
Recognised over time		
— Tuition and boarding fees	**786,535**	670,852
— Ancillary services	**113,972**	80,952
— Management service fees	**2,831**	—
Total	**1,090,804**	932,172

4. OTHER INCOME

	Six months ended 28 February 2021 *RMB'000* (unaudited)	29 February 2020 *RMB'000* (unaudited)
Rental income from investment properties	**814**	584
Government grants *(Note)*	**5,838**	46,692
Staff quarter income	**2,252**	1,917
Others	**2,517**	1,117
	11,421	50,310

Note: Government grants mainly represent non-conditional subsidies from government for organising schools activities, development of education services and outstanding academic performance of schools.

5. OTHER GAINS AND LOSSES

	Six months ended 28 February 2021 *RMB'000* (unaudited)	29 February 2020 *RMB'000* (unaudited)
Exchange (loss) gain	**(21,146)**	1,618
Loss on disposal of property, plant and equipment	**(8)**	(9)
Gain on change in fair value of convertible loan notes — embedded derivatives component	**—**	1,037
Gain on change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") *(Note)*	**36,161**	29,507
Gain on adjustment to consideration payable for acquisition of a subsidiary	**—**	7,720
Recovery of receivables written off prior to acquisition of a subsidiary	**18,172**	—
Others, net	**(903)**	(101)
	32,276	39,772

Note: The gain on change in fair value of financial assets at FVTPL is arising from the interest income from investment in unlisted private funds, unlisted trust plans and asset management plans and structured deposits.

6. TAXATION

	Six months ended	
	28 February	29 February
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Taxation comprises		
Current tax:		
PRC Enterprise Income Tax ("**PRC EIT**")	**26,128**	64,479
Overprovision in prior years — PRC EIT	**—**	(2,275)
	26,128	62,204

The Company was incorporated in the Cayman Islands and Bright Education Co. Limited, a subsidiary of the Company, was incorporated in the British Virgin Islands (the "**BVI**") that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made as the Group derived no assessable profits in Hong Kong in both periods.

Withholding income tax has been provided at 10% of the royalty income payables from PRC subsidiaries of the Group to a subsidiary incorporated in Hong Kong. During the six months ended 28 February 2021, no withholding income tax was provided due to the subsidiary incorporated in Hong Kong licensing the trademark to PRC subsidiaries of the Group at no charge (2020: nil).

Pursuant to the Caishui(2013) No.4 issued by the Ministry of Finance, the General Administration of Customs of China and the State Administration of Taxation effective from 1 January 2012 and the relevant policies promulgated by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission in April 2020, an wholly-foreign owned enterprise in Ganzhou, Jiangxi province, the PRC, is eligible to enjoy a reduced enterprise income tax rate of 15% and the relevant preferential tax policies will end on 31 December 2030.

According to the Law for Promoting Private Education (the "**Law**"), with effective from 1 September 2017, private schools treated as not-for-profit schools, for which the school sponsors are not allowed to distribute or receive any profits from schools, are eligible to enjoy the same preferential tax treatment as public schools. As a result, qualified income obtained by not-for-profit schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment. In the opinion of legal counsel, according to the amendments of the memorandum and article of associations, the school sponsors do not request for reasonable returns from the schools under the Group, including Dongguan Guangming School (東莞市光明中學), Dongguan Guangming Primary School (東莞市光明小學) (collectively called "**Guangming Schools**"), Dongguan Guangzheng Preparatory School (東莞市光正實驗學校) ("**Dongguan School**"), Huizhou Guangzheng Preparatory School (惠州市光正實驗學校) ("**Huizhou School**"), Panjin Guangzheng Preparatory School (盤錦市光正實驗學校) ("**Panjin School**"), Weifang Guangzheng Preparatory School (濰坊光正實驗學校) ("**Weifang School**"), Jieyang Jiedong Guangzheng Preparatory School (揭陽市揭東區光正實驗學校) ("**Jieyang School**"), Weifang Weizhou Foreign Language School (濰坊市濰州外國語學校) ("**Weizhou School**"), Weifang Weicheng Weizhou Foreign Language Kindergarten (濰坊市濰城區濰州外國語幼稚園), Zhang Pu Longcheng School (漳浦龍成中學) and Zhang Pu Longcheng Primary School (漳浦龍成中學附屬小學) (collectively referred to as "**Zhang Pu Longcheng Schools**"), Yunfu Guangming Foreign Language School (雲浮市光明外國語學校) ("**Yunfu School**"), Bazhong Guangzheng Preparatory School (巴中光正實驗學校) ("**Bazhong Preparatory School**"), Foshan Shunde Guangzheng Preparatory School (佛山市順德區光正實驗學校) ("**Shunde School**") and Huiyang Experimental Primary School (惠州市惠陽區實驗小學) ("**Huiyang Primary School**") which are treated as not-for-profit schools under the Law and accordingly, all not-for-profit schools for the Group are exempt from income tax on the tuition and boarding fees. For the six months ended 28 February 2021, the non-taxable income amounted to RMB778,910,000 (2020: RMB670,852,000). Other than disclosed above, all other subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% (2020: 25%) for the six months ended 28 February 2021.

7. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2021	29 February 2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration *(Note)*		
— salaries and other allowances	**359,988**	283,336
— retirement benefits scheme contributions	**31,835**	32,955
— share-based payment expenses	**983**	3,567
Total staff costs	**392,806**	319,858
Depreciation of property, plant and equipment	**73,368**	62,904
Depreciation of right-of-use assets	**32,329**	17,937
Amortisation of intangible assets arising from the acquisition of schools (included in cost of revenue)	**4,066**	8,374
Total depreciation and amortisation	**109,763**	89,215
Capitalised in construction in progress	**(5,550)**	(4,364)
	104,213	84,851
Auditors' remuneration	**1,080**	925
Bank interest income	**(817)**	(7,353)

Note: For the six months ended 28 February 2021, the novel coronavirus ("**Covid-19**") related government assistance to RMB2,047,000 (2020: RMB1,780,000) have been offset against staff costs.

8. DIVIDENDS

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 28 February 2021 of RMB0.067 (equivalent to HK$0.080) per share (2020: RMB0.057 (equivalent to HK$0.062) per share) amounting to RMB145,936,000 (equivalent to HK$174,252,000) (2020: RMB116,039,000 (equivalent to HK$126,198,000)), has been proposed by the Directors. During the six months ended 28 February 2021, a final dividend in respect of the year ended 31 August 2020 of RMB0.056 (equivalent to HK$0.066 per share) per share amounting to RMB127,002,000 (equivalent to HK$143,054,000) was paid to the shareholders of the Company.

9. 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 2021	29 February 2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	**324,914**	266,515
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of income tax)	**—**	4,461
Fair value change from convertible loan notes	**—**	(1,037)
Exchange gain on convertible loan notes	**—**	(609)
Profit for the period attributable to owners of the Company for the purposes of diluted earnings per share	**324,914**	269,330

	Six months ended	
	28 February 2021	29 February 2020
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,166,384**	2,107,107
Effect of dilutive potential ordinary shares:		
Share options	**338**	409
Share award scheme	**1,454**	573
Convertible loan notes	**—**	31,848
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,168,176**	2,139,937

For the six months ended 28 February 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 (2020: after deducting shares held by a share award scheme trust and adding conversion of shares in relation to the mandatory conversion of convertible loan notes).

The computation of diluted earnings per share during the six months ended 29 February 2020 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.

10. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2021 ***RMB'000*** **(unaudited)**	At 31 August 2020 *RMB'000* (audited)
Trade receivables	**3,963**	21,389
Deposits paid for the acquisitions of a new private school	**65,000**	30,000
Deposits paid for the acquisition of leasehold land	**87,515**	55,860
Other deposits	**39,484**	32,453
Staff advances	**35,923**	3,801
Other receivables	**22,349**	20,469
Temporary payments to local government	**—**	1,315
Receivables from constructors and suppliers	**259,200**	—
Prepayments for construction of schools	**363,720**	436,689
Other prepayments	**25,583**	20,210
	902,737	622,186
Current	**386,502**	99,637
Non-current	**516,235**	522,549
	902,737	622,186

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 2021 ***RMB'000***	At 31 August 2020 *RMB'000*
Within 3 months	**3,963**	21,389

11. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	At 28 February 2021 *RMB'000* (unaudited)	At 31 August 2020 *RMB'000* (audited)
Trade and construction payables	**155,398**	181,559
Accruals for construction	**67,519**	76,749
Consideration payable for the acquisitions of subsidiaries	**154,020**	95,220
Accrued staff benefits and payroll	**56,048**	55,959
Receipts in advance from students' prepaid charge cards	**18,359**	13,326
Receipts in advance from students on behalf of third parties providing ancillary service	**22,959**	—
Amount due to a non-controlling shareholder	**12,900**	—
Interest payables	**4,425**	6,303
Other tax payables	**23,747**	32,284
Discretionary government subsidies receipt in advance on behalf of students	**—**	5,840
Deposits received	**22,485**	18,082
Other payables	**26,014**	19,942
	563,874	505,264

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Established in 2003, we are the largest listed education group in South China operating premium, private primary and secondary schools as measured by student enrolment. For the six months ended 28 February 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.

Provision of Management Services to Other 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 six months ended 28 February 2021, there were approximately 4,236 students in 10 other schools which have entered into management services agreements with the Group.

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

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 believes 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**").

Our Own Schools

For the six months ended 28 February 2021, we had a total of 69,695 students enrolled in 15 boarding schools operated by the Group and an aggregate student capacity of approximately 82,500 following the addition of Huiyang Primary School.

	Campus	Province	Curriculum
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	Guangdong	Chinese curriculum for grades 1 to 12
7.	Weifang Weizhou Foreign Language 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	Curriculum
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

Recognition of High-Quality Education

We have received a letter of commendation from the Admission Office of Peking University where Dongguan Guangming School is recognised as a reputable secondary school with an advanced education philosophy and an excellent track record in producing a batch of outstanding high school graduates to Peking University since the school's establishment. We have also received another letter of commendation from the Guangdong Admission Team of Tsinghua University for the outstanding performance of some of our high school graduates admitted to Tsinghua University. Both Peking University and Tsinghua University wish to have further collaboration with Dongguan Guangming Secondary School with an aim to nurturing high-quality talents jointly.

Recognition from the Recruitment Bureau of Chinese People's Liberation Army Air Force

Dongguan Guangming School has received a letter of congratulation from the Recruitment Bureau of the Chinese People's Liberation Army Air Force in relation to the admission of our three students as trainees of air force pilots expressing sincere gratitude to Dongguan Guangming School for its support in the development of the air force.

The letter also emphasized that China attaches great importance to the education of air force talents. The Recruitment Bureau of the Chinese People's Liberation Army Air Force wishes that Dongguan Guangming School will continue to support the air force recruitment work in the future and jointly cultivate outstanding air force talents.

Total Revenue

Total Revenue by Service	**For the six months ended 28 February 2021**	**% of Total**	For the six months ended 29 February 2020	% of Total
Tuition and boarding fees	**786,535**	**72.1**	670,852	72.0
Ancillary services and management service fees	**304,269**	**27.9**	261,320	28.0
Total revenue	**1,090,804**	**100.0**	932,172	100.0

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, and we initially record such payments as contract liabilities. We then recognize tuition and boarding fees as revenue proportionately over the relevant period in each school term.

Compared with that for the six months ended 29 February 2020, tuition and boarding fees for the six months ended 28 February 2021 increased by 17.2% primarily due to the increase in overall student enrolment.

Ancillary services and management service fees

Our students normally live in our dormitories from Monday to Friday during school terms. In order to enhance the quality of students' lives in our schools, we provide our students with ancillary services, including various on-campus services and daily necessities for students.

Compared with that for the six months ended 29 February 2020, revenue from ancillary services and management service fees for the six months ended 28 February 2021 increased by 16.4% primarily due to the increase in overall student enrolment.

Student Enrolment

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 six-month period. On such basis, the student enrolment of self-owned schools has increased from 60,116 for the six months ended 29 February 2020 to 69,695 for the six months ended 28 February 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 six months ended 28 February 2021 and 29 February 2020:

Student Enrolment by Section	**For the six months ended 28 February 2021**	**% of Total**	For the six months ended 29 February 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 of self-owned schools	**69,695**	**100.0**	60,116	100.0

For the six months ended 28 February 2021, there is no significant change in the composition of each section.

Taking into account the students enrolled in other third party schools to which the Group provides management services, the total student enrolment of the Group would be 73,931 as at 28 February 2021.

Average Tuition and Boarding Fees Per Student

For the six months ended 28 February 2021, the Group's overall average tuition and boarding fees per student increased by 1.1% from RMB11,159 for the six months ended 29 February 2020 to RMB11,285. Excluding the impact of Huiyang Primary School which has been consolidated with effect from January 2021 after the completion of the acquisition, the average tuition and boarding fees per student for the six months ended 28 February 2021 would be RMB11,664, representing an increase of 4.5% compared with that for the six months ended 29 February 2020, primarily due to the increase in tuition and boarding fees for the new students of Dongguan Guangming School, Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School.

School Capacity and Utilization

As all of our self-operated schools are boarding schools and the majority of our students live in our schools, the capacity for students is calculated based on the approximate number of beds available in student dormitories according to the respective school's internal statistical records. Total student capacity increased from 70,000 for the six months ended 29 February 2020 to 82,500 for the six months ended 28 February 2021, primarily due to the expansion of capacity of Huizhou Guangzheng Preparatory School by 3,500, the official opening of Shunde Guangzheng Preparatory School's campus with a capacity of 3,000, and the addition of Huiyang Primary School with a capacity of 3,000 during the six months ended 28 February 2021. The utilization rate, calculated by dividing the number of students enrolled by the total student capacity, was 84.5% during the six months ended 28 February 2021 (during the six months ended 29 February 2020: 85.9%).

For details of the Group's expansion plan, please refer to the section headed "Outlook" in this announcement.

Teachers

For the six months ended 28 February 2021, over 90% of our PRC-qualified teachers held bachelors or higher degrees. The number of teachers increased from approximately 3,818 for the six months ended 29 February 2020 to approximately 4,815 for the six months ended 28 February 2021 primarily due to the recruitment of additional teachers for the expansion of Huizhou Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School, Bazhong Guangzheng Preparatory School, Yunfu Guangming Foreign Language School, Shunde Guangzheng Preparatory School and the addition of Huiyang Primary School. The overall student-teacher ratio remained relatively stable.

Teacher turnover rate

To attract and retain high-quality teachers, we believe we offer a relatively competitive salary and benefits package and generally offer free or low-cost accommodation on campus or close to our schools. We also provide a good career development path for outstanding teachers. For the six months ended 28 February 2021, the turnover rate of our teachers, including our termination, was approximately 6%.

FINANCIAL REVIEW

For the six months ended 28 February 2021, total revenue increased by 17.0% to RMB1,090.8 million and core net profit increased by 30.5% to RMB376.3 million respectively, as compared with that of the corresponding period in 2020.

Revenue

For the components of our revenue, please refer to the section headed "Business Review" in "Management Discussion and Analysis" above.

The Group's total revenue increased by RMB158.6 million, or 17.0%, from RMB932.2 million for the six months ended 29 February 2020 to RMB1,090.8 million for the six months ended 28 February 2021. The increase was attributable to the increase in revenue from tuition and boarding fees by RMB115.7 million and the increase in revenue from ancillary services and management service fees by RMB42.9 million, largely due to the increase in total student enrolment in self-owned schools by 15.9% from 60,116 for the six months ended 29 February 2020 to 69,695 for the six months ended 28 February 2021.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our teachers, (ii) cost of provision of ancillary services, (iii) amortisation of intangible assets of student rosters arising from the acquisition of schools, (iv) depreciation and amortisation on property, plant and equipment and right-of-use assets used by our schools, (v) utilities and maintenance costs for our schools and (vi) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, scholarships and student activity expenses.

Cost of revenue increased by RMB86.1 million, or 17.3%, from RMB496.5 million for the six months ended 29 February 2020 to RMB582.7 million for the six months ended 28 February 2021. The increase was largely due to the increases in teaching staff costs and depreciation and amortisation.

Staff costs increased mainly because the number of teachers increased from approximately 3,818 for the six months ended 29 February 2020 to approximately 4,815 for the six months ended 28 February 2021, primarily due to the recruitment of additional teachers for the expansion of Huizhou Guangzheng Preparatory School, Guang'an Guangzheng Preparatory School, Bazhong Guangzheng Preparatory School, Yunfu Guangming Foreign Language School and Shunde Guangzheng Preparatory School.

The increase in depreciation and amortisation was primarily due to the expansion of capacity of existing schools followed by the gradual completion of construction projects.

Gross Profit

As a result of the foregoing, gross profit increased by 16.6% from RMB435.6 million for the six months ended 29 February 2020 to RMB508.1 million for the six months ended 28 February 2021. Our gross profit margin remained stable at 46.6% for the six months ended 28 February 2021 compared with that of 46.7% for the six months ended 29 February 2020.

Other Income

Other income primarily consists of (i) rental income from investment properties, (ii) government grants, which primarily consists of discretionary and non-conditional subsidies we received from the PRC government authorities for opening new schools, organizing school activities and outstanding academic performance of our schools, and (iii) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff.

Other income decreased from RMB50.3 million for the six months ended 29 February 2020 to RMB11.4 million for the six months ended 28 February 2021, primarily due to the decrease in government grants by RMB40.9 million.

Other Gains and Losses

Other gains and losses primarily consist of (i) gain on change in fair value of financial assets at FVTPL arising from interest income from investment products of RMB36.2 million, (ii) net exchange losses of RMB21.1 million resulting from the depreciation of Hong Kong dollars (HK$) against RMB during the six months ended 28 February 2021, and (iii) recovery of receivables previously written-off of RMB18.2 million.

Selling Expenses

Selling expenses primarily consist of (i) advertising expenses, which primarily comprise expenses for advertising our schools in newspapers and other media and public relations expenses, and (ii) other marketing expenses, which primarily comprise student recruitment costs, travelling expenses and miscellaneous expenses relating to student recruitment and the marketing of our schools.

Selling expenses increased by 9.7% from RMB20.2 million for the six months ended 29 February 2020 to RMB22.1 million for the six months ended 28 February 2021, primarily due to the increase in student recruitment costs. Selling expenses as a percentage of revenue decreased from 2.2% for the six months ended 29 February 2020 to 2.0% for the six months ended 28 February 2021.

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) value-added and other tax expenses in relation to the corporate management and educational management consultancy services and technical and business support services provided by the Group's subsidiaries to consolidated affiliated entities, (iii) depreciation of office buildings and equipment and right-of-use assets, (iv) rental expenses, (v) travel expenses, (vi) entertainment expenses, and (vii) 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 2.8% from RMB140.1 million for the six months ended 29 February 2020 to RMB144.0 million for the six months ended 28 February 2021, primarily due to the increase in staff costs. Administrative expenses as a percentage of revenue decreased from 15.0% for the six months ended 29 February 2020 to 13.2% for the six months ended 28 February 2021.

Finance Income

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

Finance income decreased from RMB7.4 million for the six months ended 29 February 2020 to RMB2.1 million for the six months ended 28 February 2021, primarily due to the decrease in average bank balances and pledged bank deposits during the six months ended 28 February 2021.

Finance Costs

Finance costs consist of the interest expenses for our bank and other borrowings less interest capitalized in the cost of property, plant and equipment, and interest on lease liabilities.

Finance costs decreased from RMB52.1 million for the six months ended 29 February 2020 to RMB38.4 million for the six months ended 28 February 2021, primarily due to the full repayment of the convertible loan notes during the year ended 31 August 2020.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased from RMB320.6 million for the six months ended 29 February 2020 to RMB349.3 million for the six months ended 28 February 2021. Profit before taxation as a percentage of revenue of the Group was 32.0% for the six months ended 28 February 2021 compared with 34.4% for the six months ended 29 February 2020.

Taxation

Income tax expense of the Group decreased by 58.0% from RMB62.2 million for the six months ended 29 February 2020 to RMB26.1 million for the six months ended 28 February 2021. All of our primary and middle school sections are required to be classified as not-for-profit schools where tuition and boarding fees are entitled to the same PRC EIT exemption as public schools since 1 September 2017. We have decided not to classify our high school sections as for-profit schools. The effective tax rate of the Group for the six months ended 28 February 2021 and the six months ended 29 February 2020 was 7.5% and 19.4%, respectively.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 25.1% from RMB258.4 million for the six months ended 29 February 2020 to RMB323.2 million for the six months ended 28 February 2021.

Core Net Profit

The Group defines its core net profit as its profit for the period 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's management as well as analysts or investors. The following table reconciles from profit for the period to core net profit for the two financial periods presented below:

	Six months ended	
	28 February 2021	29 February 2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**323,207**	258,411
Adjustments for:		
Exchange loss/(gain)	**21,146**	(1,618)
Gain on change in fair value of convertible loan notes	**—**	(1,037)
Share-based payments	**983**	3,567
Amortisation of intangible assets arising from the acquisition of schools	**4,066**	8,374
Additional interest expenses on convertible loan notes based on actual coupon rate	**—**	12,916
Additional expenses arising from the adoption of IFRS 16 *(Note 1)*	**26,863**	7,654
Core net profit	**376,265**	288,267

Note:

1. The adjustment represented the difference of (a) the actual rental expenses payable before the application of IFRS 16 and (b) the total of depreciation of right-of-use assets and the interest portion of lease liabilities charged to profit or loss less the finance income on refundable rental deposits paid credited to profit or loss arising from the adoption of IFRS 16.

Core net profit for the period increased by RMB88.0 million, or 30.5%, from RMB288.3 million for the six months ended 29 February 2020 to RMB376.3 million for the six months ended 28 February 2021. Core net profit margin increased from 30.9% for the six months ended 29 February 2020 to 34.5% for the six months ended 28 February 2021.

Capital Expenditure

During the six months ended 28 February 2021, the Group paid approximately RMB704.1 million for the acquisition of property, plant and equipment and paid approximately RMB89.8 million for the right-of-use assets for the Group's expansion.

Liquidity, Financial Resources and Capital Structure

The Group recorded an increase in net cash inflow from operating activities for the six months ended 28 February 2021 as compared to that for the six months ended 29 February 2020, primarily due to the increase in operating cash flows before movement in working capital.

During the six months ended 28 February 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 bank borrowings.

The combined effect of the above resulted a net decrease in cash and cash equivalents of RMB455.4 million for the six months ended 28 February 2021 (for the six months ended 29 February 2020: RMB197.5 million).

As at 28 February 2021, the Group's total pledged bank deposits, bank balances and cash amounted to RMB655.9 million, of which the majority were denominated in HK$ and RMB (as at 31 August 2020: RMB1,126.1 million).

As at 28 February 2021, the Group's total of bank and other borrowings amounted to RMB3,127.2 million comprising RMB560.6 million repayable within one year and RMB2,566.6 million repayable more than one year. Bank and other borrowings carried interest rates ranging from 4.7% to 6.0% per annum. All of the bank and other borrowings were denominated in RMB. During the six months ended 28 February 2021, the Group raised certain borrowings from banks for the capital expenditures required for the development of certain greenfield schools and the expansion of our schools' capacity in the coming years.

In order to have a better use of our unutilised financial resources, the Group has purchased certain investment products. The Group is allowed to early redeem these investment products, in whole or in part, with prior written notice and the Group held these investment products for treasury management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. These investment products were classified as financial assets at "FVTPL" or investments in debt securities as at 28 February 2021.

The Group recorded net current liabilities of RMB1,008.5 million as at 28 February 2021 (as at 31 August 2020: RMB63.1 million) primarily as a result of the recognition of tuition and boarding fees received in advance as contract liabilities which were included in current liabilities.

Net Gearing Ratio

The Group's net gearing ratio is calculated as total of bank and other borrowings, net of pledged bank deposits, bank balances and cash divided by the total of equity attributable to owners of the Company and non-controlling interests at the end of the relevant year. The Group's net gearing ratio as at 28 February 2021 was 74.5% (as at 31 August 2020: 53.7%).

As explained in the section headed "Liquidity, Financial Resources and Capital Structure" above, as at 28 February 2021, in order to have a better use of our utilized financial resources, the Group held certain investment products which were classified as financial assets at FVTPL or investments in debt securities. The Group is allowed to redeem these investment products, in whole or in part, with prior written notice and the Group held these investment products for treasury management purpose, though certain investment products are classified as non-current assets by nature of the relevant products. Taking into consideration our intention of holding these investment products of RMB491.2 million as at 28 February 2021 for treasury management purpose and the possibility of early redemption, the Group's adjusted net gearing ratio as at 28 February 2021 would have been reduced to 59.7% (as at 31 August 2020: 40.6%).

The increase in net gearing ratio was mainly due to the decrease in total bank balances and cash and pledged bank deposits as at 28 February 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$. As at 28 February 2021, certain bank balances and cash and investment products were denominated in HK$ 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

On 19 March 2015, an individual, who is an independent third party, initiated court proceedings in relation to the advances he made on behalf of one of our schools during its establishment for a total amount of RMB5,000,000 and the interests thereof. As at the date of this announcement, the outcome of such legal proceedings was yet to be finalized. In the opinion of the Directors, after consultation with our external legal counsel, there is no reasonable ground to support the arguments of the plaintiff, and accordingly, no provision has been made in the financial statements.

Pledge of Assets

As at 28 February 2021, the Group's bank borrowings were secured by the rights to receive the tuition and boarding fees of certain schools of the Group, the right of return on equity of certain consolidated affiliated entities and the revenue arising from the operation of Shunde Guangzheng Preparatory School.

MARKET REVIEW

Favorable environment for private primary and secondary schools in the Greater Bay Area

China has planned to promote in-depth integration of resources and coordinated economic development in the Greater Bay Area, which comprises nine cities in Guangdong province and the two special administrative regions of Hong Kong and Macao. The eleven cities, which include Guangzhou, Shenzhen, Foshan, Dongguan, Huizhou, Zhuhai, Zhongshan, Jiangmen and Zhaoqing, generated a combined USD1.66 trillion in gross domestic product ("**GDP**") and host a population of 72.5 million in 2019, accounting for around 12% and 5% of the national total respectively, according to the data of the National Bureau of Statistics.

The development of the Greater Bay Area is also marked with significantly increased transport connectivity, which would facilitate the flow of people and goods, and thus foster robust economic growth. As the Chinese government continues to develop the transport network, multiple infrastructure projects such as the Shenzhen-Zhongshan Bridge and Liantang/Heung Yuen Wai Boundary Control Point are scheduled to launch in the near future, following the openings of the Nansha Bridge in April in 2019 as well as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge in 2018. With the development of transport infrastructure in the Greater Bay Area, together with other favorable policies, we expect the number of children accompanying their parents who come to do business or work in the Greater Bay Area from other regions in China will increase, creating a promising environment for the growth of private primary and secondary education in Guangdong province.

In February 2019, the central government of China issued an Outline Development Plan for the Greater Bay Area, which has drawn a road map to further transform the Greater Bay Area into a world-class city cluster and an international hub for technology and innovation. Particularly, one of the objectives set out in Chapter 8 of the Outline Development Plan is to create an education and talent hub in the Greater Bay Area and there are several initiatives, among other things, for promoting fundamental education in the area.

Market potential for private higher education institutions offering advanced technology programs

In light of the strategic plan of "Made in China 2025" promoted by the Chinese government, it is expected that there will be a growing demand for high-end technicians in advanced technology and manufacturing in South China.

OUTLOOK

To Become a Comprehensive Education Group in the Medium and Long Term

Apart from the expansion of our primary and secondary school business, the Group aims to become a comprehensive education group in the medium and long term by extending its business to online education and higher education.

The unexpected outbreak of Covid-19 in 2020 has urged school operators to find their ways out during class suspension, bringing potential opportunities for the development of online education business. During the class suspension as required by the government authorities, our teachers made use of online platforms to provide live teaching and tutoring to our students, ensuring students' continuous studies during class suspension. These online platforms have recording and replay functions to facilitate our students' revision. Equipped with cloud computing technology and artificial intelligence, these online education platforms can help us track the attendance, learning progress and performance of our students. Our online teaching services provided during class suspension were well-received by many parents of our students. We believe that a combination of offline and online education platforms may enhance our competitiveness in the future.

In view of the potential demand for high-end technical staff from enterprises principally engaged in the development of advanced and emerging industries such as big data, robotics, smart manufacturing, artificial intelligence, life technology in the Greater Bay Area, the Group has planned to establish private higher education institutions which aim to provide junior college curricula for these fields.

I. Primary and Secondary School Education

Greater Bay Area Focus

Given the favorable environment of Guangdong in terms of GDP, population and the Outline Development Plan for the Greater Bay Area, we intend to have a comprehensive school coverage of the nine Guangdong cities in the Greater Bay Area. Apart from the existing schools in Dongguan, Huizhou and Foshan, we have entered into cooperation or framework agreements with the local governments of Zhongshan, Jiangmen, Guangzhou and Zhaoqing, respectively, in respect of the proposed establishment of a private boarding school in each of these cities, making up to the potential coverage of seven Guangdong cities in the Greater Bay Area in the future.

Notwithstanding that Guangdong province is our preferred region for our expansion, we will also explore any attractive expansion opportunities outside Guangdong province such as Sichuan province.

Large Organic Growth Potential

i. Expanding Capacity of Our Schools

The estimated total capacity of the Group's existing schools increased from approximately 70,000 students for the six months ended 29 February 2020 to approximately 82,500 students for the six month ended 28 February 2021.

Based on the actual student recruitment, potential growth in student number and current utilization of each of the Group's schools, the Group will further expand the capacity of the relevant schools, or adjust the pace of expansion, from time to time.

ii. Open More New Schools

In order to sustain our future growth, apart from expanding the capacity of our existing schools, we will continue to open new schools through building more greenfield schools of relatively large scale on purchased lands use rights for educational purpose in stages and explore opportunities in operating asset-light schools of relatively small scale in Guangdong province.

We expect more new school projects will be added in the pipeline and we will adjust our development plan from time to time according to the market conditions and the requirements from local governments.

a) Greenfield schools under development — Expected commencement of operation of the first phase in the 2021/2022 school year

Pursuant to the cooperation agreements entered into between the Group and the local governments of Chaozhou, Jiangmen and Zhongshan in Guangdong province respectively, each of the local governments has allocated or agreed to provide a parcel of land to the Group for the proposed establishment of a boarding school comprising, among other things, primary, middle and high school sections, in each of the following cities:

City	**Approximate land area for educational purposes**	**Estimated maximum student capacity**
Chaozhou	200 mu (畝) or 133,000 square metres	8,000
Kaiping, Jiangmen	200 mu (畝) or 133,000 square metres	7,500
Zhongshan	320 mu (畝) or 213,330 square metres	11,000

Each of these proposed boarding schools will be constructed by phases, we have obtained all of the relevant land use rights as at 28 February 2021 and the construction has been well in progress during the six months ended 28 February 2021. We expect that the commencement date of operation of the first phase of these schools to be 1 September 2021 subject to certain conditions including the necessary government approvals before the official opening of the school campuses.

b) Explore opportunities in operating asset-light schools in Guangdong province

Given the strong demand for quality private primary and secondary schools and the scarcity of lands for educational purpose in certain cities of Guangdong province, the Group is exploring the opportunities of renting or operating certain vacant properties which are suitable for transforming to school properties to expand our student capacity rapidly. The Group has identified certain properties in Dongguan city of Guangdong province where the Group is in the process of negotiating with the property owners and the relevant government authorities on the relevant arrangements and the necessary approvals, respectively. If successful, these properties could increase the Group's student capacity by over 4,000 in the short term, and could be further enlarged to over 10,000 in the long term subject to the necessary approvals from the relevant government authorities. The Group will also continue to explore such opportunities in other cities of the Greater Bay Area. Further announcement will be made in respect of any business of operating asset-light schools should it be required.

c) Proposed greenfield schools under negotiation

The Group has signed framework agreements with the local governments of Guangzhou and Zhaoqing in Guangdong province respectively, in respect of the proposed cooperation of the development of a boarding school in each of these cities.

We are still in the process of negotiating with these local governments on the terms of proposed cooperation including the provision of a parcel of land in each of these cities to the Group for educational purposes and the expected maximum student capacity. As at the date of this announcement, we have not signed any formal or legally-binding agreement in relation to the proposed cooperation.

For the 2021/2022 school year, it is estimated that our school capacity would reach 91,000, contributed by the further expansion of capacity of Guang'an Guangzheng Preparatory School and Bazhong Guangzheng Preparatory School in Sichuan Province by 2,500 in total, and the three greenfield schools in Chaozhou, Jiangmen and Zhongshan in Guangdong province under development with expected commencement of operation of the first phase in the 2021/2022 school year with a total capacity of 6,000.

Subject to certain approvals from the local government authorities, the estimated maximum capacity of the Group may be expanded to approximately 170,000 students assuming all available land use rights of the existing schools and those of the new greenfield schools under development are fully utilized.

II. Online Education

We have set up a subsidiary which will focus on "internet plus" education and education information technology. We have developed certain online education courses which our students and teachers may attend voluntarily during weekends and holidays, such as tailor-made learning courses, parent-child exercises, extra-curricular activities and teacher training courses. These online education courses have already contributed extra revenue to the Group.

III. Higher Education

Bazhong Guangzheng Institute of Technology (tentatively)

The Group has entered into an agreement with the Economic Development Zone of Bazhong, Sichuan ("**Bazhong Economic Development Zone**") pursuant to which the management committee of Bazhong Economic Development Zone, among others, agreed to provide a parcel of land (the "**Land**") situated at the centre of Bazhong, Sichuan province (with a total site area of approximately 1,500 mu (畝) (equivalent to approximately 1,000,000 square metres)) to the Group for its proposed establishment of a private higher education institute (tentatively "Bazhong Guangzheng Institute of Technology (巴中光正科技學院)" ("**Bazhong Guangzheng Technology Institute**")).

Bazhong Guangzheng Technology Institute will be positioned to provide curricula for junior college students, equipping them with the necessary skills of senior technical staff required by the fields of emerging industrial, information technology, life technology, artificial intelligence, modern agriculture etc. in the Greater Bay Area. The Group will cooperate with certain well-known higher education institutions and some academicians of Chinese Academy of Sciences (中國科學院) in respect of teaching resources.

Bazhong Guangzheng Technology Institute will be developed by phases and the maximum capacity is expected to be approximately 18,000 students. Bazhong Economic Development Zone has completed the required procedures for the provision of the first phase of the Land (with a sit area of approximately 500 mu (畝) (equivalent to approximately 330,000 square metres)) to the Group with an expected capacity of approximately 6,000 students. Pending certain government approvals, the Group will develop the first phase of Bazhong Guangzheng Technology Institute in stages and the commencement of operation is expected to be around September 2022.

Dongguan Guangzheng Institute of Technology (tentatively)

The Group has planned to establish a private higher education institution (tentatively "Dongguan Guangzheng Institute of Technology (東莞市光正科技學院)" ("**Dongguan Guangzheng Technology Institute**")) in Dongguan, Guangdong province, mainly for training junior college students with the necessary skills required by these enterprises and related industries.

In order to support the establishment and development of Dongguan Guangzheng Technology Institute, the Group has entered into a cooperative agreement (the "**Cooperative Agreement**") with each of Harbin Institute of Technology (哈爾濱工業大學) and HIT Big Data Group (哈工大大數據集團) respectively. Pursuant to the Cooperative Agreements, HIT Big Data Group will be responsible for, among others, the design of the curriculum, syllabus and teaching plan, as well as the formation of professional teaching team, of Dongguan Guangzheng Technology Institute.

Pending certain approvals from the local government of Dongguan, the Group is in the process of obtaining a parcel of land situated at Dongguan (with a total site area of approximately 800 mu (畝) (equivalent to approximately 533,000 square metres)) for the proposed development of Dongguan Guangzheng Technology Institute with an expected maximum capacity of approximately 10,000 students.

Future Capital Expenditure and Financing

We expect that the Group's future capital expenditure will primarily be financed by bank and other borrowings, cash flow generated from operating activities, and/or other financing options available from capital markets if necessary.

Teacher's Recruitment, Training and Retention

We realize the importance of our teachers' quality in our expansion. In this regard, we cooperate with a number of well-known normal universities in China where we recruit talent graduates as our trainee teachers. We have a teacher mentoring program in which we train our outstanding teachers to prepare for the role of principal of our schools in the future. We provide on-going training programmes for our teachers such as discussion groups, cross-school teacher seminars and outdoor training camps, where our teachers share experiences, enhance teaching skills and improve teamwork. We normally assign some of our experienced teachers from the existing schools to involve in the operation of any new greenfield school or newly acquired school. We reward outstanding teachers with high performance evaluations and require teachers who do not meet our expectations to improve within a prescribed period of time.

Conclusion

With the Outline Development Plan for the Greater Bay Area and our proven expansion track record and development strategies, we will continue to maintain our leading position, in terms of student enrolment, as a premium private primary and secondary school education provider in South China and increase our market share in other regions in China. The Group will also diversify its education business by extending to other educational segments including, but not limited to, private higher education business. Through becoming a comprehensive education group in the medium and long term, we wish to increase the return for the shareholders of the Company (the "**Shareholders**").

REGULATORY UPDATE

The has been no significant update since the publication of the Company annual report for the year ended 31 August 2020 (the "**2020 Annual Report**"). Please refer to the 2020 Annual Report for details of the regulatory update.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for the addition of Huiyang Primary School 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 six months ended 28 February 2021.

INVESTMENTS HELD

As at 28 February 2021, the Group held certain investment products which were classified as financial assets at FVTPL or investments in debt securities of approximately RMB491.2 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 2021, the Group had approximately 6,594 employees (as at 29 February 2020: approximately 6,419). 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 2021 amounted to approximately RMB392.8 million (for the six months ended 29 February 2020: RMB319.9 million).

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group had no significant events after the reporting period that are required to be disclosed.

USE OF PROCEEDS

Use of net proceeds from the Placing

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 28 February 2021, the Company has applied the net proceeds of approximately RMB184.1 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 RMB137.4 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.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of RMB0.067 (equivalent to HK$0.080) per share for the six months ended 28 February 2021 (six months ended 29 February 2020: RMB0.057 (equivalent to HK$0.062) per share) to the Shareholders whose names appear on the register of members of the Company at the close of business on 2 June 2021. The interim dividend is expected to be paid on or about 16 June 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 28 February 2021, the register of members of the Company will be closed from 1 June 2021 to 2 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31 May 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 ("**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 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 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 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 six months ended 28 February 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 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 Xubin 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 2021 and has met with the independent auditor, Deloitte Touche Tohmatsu, who has reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. 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 2021.

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 2021 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, 28 April 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.*