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## **Bojun Education Company Limited**

**博駿教育有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1758)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2023**

#### **HIGHLIGHTS**

	<b>For the year ended 31 August</b>			
	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>Percentage</b>
Revenue	<b>81,305</b>	33,604	47,701	142.0%
Gross profit	<b>11,919</b>	16,766	(4,847)	-28.9%
Profit/(loss) for the year	<b>51,047</b>	(9,403)	60,450	642.9%
Adjusted net loss*	<b>(34,601)</b>	(9,403)	(25,198)	-268.0%

\* The adjusted net loss is presented because our management believes such information will be helpful for investors in assessing the level of net profit of the Company by eliminating the effects of certain one-off or non-recurring items. For the details of reconciliation to the most directly comparable financial measure calculated and presented in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which is profit for the year. Please refer to the section headed “Financial review – Adjusted net loss” in this announcement.

	<b>As at the beginning of the school year</b>			
	<b>2022/2023</b>	<b>2021/2022</b>	<b>Change</b>	<b>Change</b>
				<b>Percentage</b>
Total students enrolment	<b>840</b>	151	689	456.3%

	<b>As at 31 August</b>			
	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>Percentage</b>
Contract liabilities	<b>277,041</b>	36,810	240,231	652.6%

## ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of Bojun Education Company Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities (the “**Consolidated Affiliated Entities**”), the “**Group**”) is pleased to announce the consolidated annual results of the Group for the year ended 31 August 2023.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>81,305</b>	33,604
Costs of services		<u>(69,386)</u>	<u>(16,838)</u>
<b>Gross profit</b>		<b>11,919</b>	16,766
Other income	5	<b>4,081</b>	9,598
Other gains, net		<b>91,157</b>	6,729
Share of (loss)/profit of an associate		(3)	32
Administrative expenses		<b>(38,206)</b>	(34,652)
Finance costs	6	<u>(16,036)</u>	<u>(5,784)</u>
<b>Profit/(loss) before tax</b>		<b>52,912</b>	(7,311)
Income tax expenses	7	<u>(1,865)</u>	<u>(2,092)</u>
<b>Profit/(loss) and total comprehensive income/(expense) for the year attributable to owners of the Company</b>		<u><b>51,047</b></u>	<u>(9,403)</u>
<b>Earnings/(loss) per share</b>	14		
Basic ( <i>RMB cents</i> )		<u><b>6.21</b></u>	<u>(1.14)</u>
Diluted ( <i>RMB cents</i> )		<u><b>N/A</b></u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 AUGUST*

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,671,943</b>	665,775
Right-of-use assets		<b>600,285</b>	97,780
Intangible assets		<b>3,782</b>	–
Goodwill		<b>12,105</b>	–
Interest in an associate		<b>17,507</b>	17,510
Deferred tax assets		<b>17,289</b>	17,672
Other receivables and deposits	9	<b>94,544</b>	78,335
		<hr/>	<hr/>
Total non-current assets		<b>3,417,455</b>	877,072
<b>CURRENT ASSETS</b>			
Other receivables, deposits and prepayments	9	<b>120,630</b>	41,046
Amounts due from related companies		<b>28,766</b>	95,916
Restricted bank deposits		<b>150,000</b>	–
Bank balances and cash		<b>346,553</b>	155,072
		<hr/>	<hr/>
Total current assets		<b>645,949</b>	292,034
		<hr/>	<hr/>
Total assets		<b>4,063,404</b>	1,169,106
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	10	<b>461,457</b>	27,107
Contract liabilities		<b>277,041</b>	36,810
Amounts due to related companies		<b>137,322</b>	–
Lease liabilities		<b>175</b>	719
Bank and other borrowings		<b>704,991</b>	31,120
Income tax payable		<b>9,759</b>	6,805
Financial guarantee liabilities		<b>7,670</b>	13,105
		<hr/>	<hr/>
Total current liabilities		<b>1,598,415</b>	115,666
		<hr/>	<hr/>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(952,466)</b>	176,368
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,464,989</b>	1,053,440
		<hr/>	<hr/>

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>186</b>	–
Bank and other borrowings		<b>802,282</b>	129,000
Other payables	<i>10</i>	<b>166,410</b>	–
Amounts due to related companies		<b>613,637</b>	674,487
Deferred income	<i>11</i>	<b>272,363</b>	70,688
Deferred tax liabilities		<b>64,836</b>	–
		<hr/>	<hr/>
Total non-current liabilities		<b>1,919,714</b>	874,175
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>545,275</b>	179,265
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>7,138</b>	7,138
Reserves		<b>230,542</b>	172,127
		<hr/>	<hr/>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<b>237,680</b>	179,265
Non-controlling interests		<b>307,595</b>	–
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>545,275</b>	179,265
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2016. On 31 July 2018, the shares of the Company (the “**Share(s)**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The subsidiaries of the Group, are mainly engaged in the provision of private education services in the People’s Republic of China (the “**PRC**” or “**China**”).

The functional currency of the Company is RMB, which is also the presentation currency of the consolidated financial statements.

### 2. STRUCTURED CONTRACTS AND BASIS OF PREPARATION

For the year ended 31 August 2023, the provision of private education services of the Group was carried out by its operating entities in the PRC, comprising Chengdu Mingxian Education Investment Company Limited\* (成都銘賢教育投資有限公司), Sichuan Boai Preschool Education Development Company Limited\* (四川省博愛幼兒教育事業發展有限責任公司) (“**Sichuan Boai**”), Chengdu Youshi Preschool Education Investment Management Company Limited\* (成都幼獅幼兒教育投資管理有限公司) (“**Chengdu Youshi**”), Renshou Bojun Education Investment Management Company Limited\* (仁壽博駿教育投資管理有限公司), Chengdu Jinbojun Education Consultancy Company Limited\* (成都金博駿教育諮詢有限公司), Nanjiang Bojun Education Management Company Limited\* (南江博駿教育管理有限公司), Wangcang Bojun Education Management Company Limited\* (旺蒼博駿教育管理有限公司), Lezhi Bojun Education Management Company Limited\* (樂至博駿教育管理有限公司) and Sichuan Zhengzhuo Education Investment Company Limited\* (四川正卓教育投資有限公司) (“**Sichuan Zhengzhuo**”) (collectively known as the “**School Sponsors**”), Sichuan New Tianfu District No. 1 High School Attached to Sichuan Normal University\* (四川天府新區師大一中高級中學有限公司) (“**Tianfu High School**”), Chengdu Youshi Lidu Kindergarten Company Limited\* (成都市武侯區幼獅麗都幼兒園有限公司) (“**Lidu Kindergarten**”), Chengdu Jinjiang Youshi Riverside Kindergarten Company Limited\* (成都市錦江區幼獅河濱幼兒園有限責任公司) (“**Riverside Kindergarten**”), Sichuan Wenxuan Vocational College (Dayi Campus) (四川文軒職業學院大邑校區) (“**Vocational College**”), Chengdu Dayi Zhengzhuo Education Vocational School\* (成都市大邑縣正卓教育職業學校) (“**Vocational School**”) and Sichuan Gaojiao Investment Company Limited\* (四川高教投資有限公司) (“**Sichuan Gaojiao**”) and the other subsidiaries controlling by the School Sponsors (collectively known as the “**PRC Operating Entities**”). The School Sponsors and PRC Operating Entities herein collectively refer to “**Consolidated Affiliated Entities**”. Due to regulatory restrictions on foreign ownership in the private-owned schools in the PRC, Chengdu Tianfu Bojun Education Management Company Limited\* (成都天府博駿教育管理有限公司) (“**Chengdu Bojun**”) and Chengdu Bomao Education Management Company Limited\* (成都博懋教育管理有限公司) (“**Chengdu Bomao**”), both are the wholly-owned subsidiaries of the Company, have entered into a series of contracts through which the Company obtain control and derive economic benefits from its Consolidated Affiliated Entities (the “**Structured Contracts**”) with, among others, the PRC Operating Entities, the School Sponsors and their respective legal equity holders.

The Directors are of the view that the Structured Contracts enable Chengdu Bojun and Chengdu Bomao to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;

- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the exclusive technical and management consultancy services including, among others, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment services and support; (e) provision of public relation services; (f) formulation of long term strategic development plans and annual working plans; (g) formulation of management mode, business plans and market development plans; (h) development of financial management systems and recommendation and optimisation on annual budget; (i) advising on design of internal structures and internal management system of the Consolidated Affiliated Entities; (j) provision of management and consultancy training for executive staff; (k) conduct of market survey and research, and advising on market information and business development; (l) formulation of regional and national market development plan; (m) assisting the Consolidated Affiliated Entities in building of education management network and improving management of business operation; (n) assisting in building online and offline marketing network; (o) providing management and consultancy services in respect of daily operations, finance, investment, assets, liabilities and debt, human resources, internal informatisation and other management and consultancy services; (p) assisting the Consolidated Affiliated Entities and their subsidiaries to find suitable financing channels where fund is required in the operation of the Consolidated Affiliated Entities; (q) assisting the Consolidated Affiliated Entities to formulate programs to maintain relationships with their suppliers, customers, cooperation partners and students, and assisting to maintain such relationships; (r) advising and providing recommendations on asset and business operating of the Consolidated Affiliated Entities; (s) advising and providing recommendations to negotiate, sign and perform the material contracts of the Consolidated Affiliated Entities and (t) providing other technical services reasonably requested by the Consolidated Affiliated Entities; and
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Chengdu Bojun and Chengdu Bomao may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Chengdu Bojun and Chengdu Bomao.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Structured Contracts, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and therefore is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities, income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements during both years.

Mr. Wang Jinglei and Ms. Duan Ling, on a collective basis, are regarded as controlling equity holders of the School Sponsors and the PRC Operating Entities and also regarded collectively as the ultimate controlling shareholders of the Company.

The functional currency of the Company is RMB, which is also the presentation currency of the consolidated financial statements.

### **Going concern basis**

At 31 August 2023, the Group recorded net current liabilities of approximately RMB952,466,000, including bank and other borrowings of approximately RMB704,991,000 will be due for repayment within the next twelve months, while its total cash (including bank balances and cash and pledged and restricted bank deposits) amounted to approximately RMB496,553,000. In addition, the Group's secured bank borrowings with a carrying amount of approximately RMB400,000,000 was classified as repayment on demand because of the failure to fulfil certain financial covenants stated in the loan agreement. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

For the purpose of assessing going concern, the Directors have prepared a cash flow forecast of the Group covering a period of twelve months from the end of the year ended 31 August 2023 (the “**Reporting Period**”) (the “**Cash Flow Forecast**”) with plans and measures to mitigate the liquidity pressure and to improve its financial position, including (i) Mr. Wang Jinglei and the non-controlling shareholders of the Group's subsidiaries have agreed to provide adequate funds for the Group to meet its liabilities as they fall due; (ii) the operating cash inflow generated by the vocational education business subsequent to the year-end date; (iii) the Group will actively negotiate with the Group's suppliers and related companies to extend payment terms; and (iv) the Group is in the process of negotiating with a PRC bank for a banking facilities line of not less than RMB400 million, which the proceeds are intended to use as settlement and replacement of the secured bank borrowings which failed to fulfill financial covenants. Based on the Cash Flow Forecast assuming the plans and measures can be successfully implemented as scheduled, the Directors are of the opinion that the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to achieve the plans and measures mentioned above, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the consolidated financial statements.

### **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group has adopted all the new and revised HKFRSs and new interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 September 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

#### 4. REVENUE AND SEGMENT INFORMATION

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.

The Group had two reportable segments comprising (i) the provision of high school and for-profit education services; and (ii) the provision of education consultancy and management services.

The Group's revenue represents service income comprising tuition fees, boarding fees, canteen service fees and education consultancy and management services fees.

The segment information provided to the CODM in respect of revenue from respective reportable segment is as follows:

	<b>Education consultancy and management services RMB'000</b>	<b>High school education and for-profit education services RMB'000</b>	<b>Total RMB'000</b>
<b>For the year ended 31 August 2023</b>			
Tuition fees	–	36,241	36,241
Boarding fees	–	8,483	8,483
Canteen service fees	21,185	–	21,185
Education consultancy and management services fees	15,396	–	15,396
Total	<u>36,581</u>	<u>44,724</u>	<u>81,305</u>
<b>For the year ended 31 August 2022</b>			
Tuition fees	–	9,556	9,556
Boarding fees	–	1,390	1,390
Education consultancy and management services fees	22,658	–	22,658
Total	<u>22,658</u>	<u>10,946</u>	<u>33,604</u>

#### **Performance obligations for contracts with customers**

Revenue from the provision of (i) education consultancy and management services; (ii) education services comprising tuition fee and boarding fee (each being a single performance obligation); and (iii) canteen services, was recognised over time. The transaction price allocated to each of the performance obligation is recognised as a contract liability at the time of receipt and was released on a straight-line basis over the services period.

#### **Transaction price allocated to the remaining performance obligation for contracts with customers**

All the contracts with customers are agreed at fixed price for a term no longer than twelve months.



### Geographical information

During the years ended 31 August 2023 and 2022, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

### Major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A Group	14,807	8,091
Customer B	N/A	5,763

### Segment assets and liabilities

No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM.

## 5. OTHER INCOME

	Year ended 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from banks	82	93
Interest income from other loans	–	5,623
Release of asset-related government grants	1,534	1,534
Others	2,465	2,348
	<u>4,081</u>	<u>9,598</u>

## 6. FINANCE COSTS

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Interest on:		
Bank borrowings	10,382	11,660
Lease liabilities	54	71
	<u>10,436</u>	<u>11,731</u>
Unwinding of discount on amounts due to a related company	5,600	–
	<u>16,036</u>	<u>11,731</u>
Total finance costs	–	(5,947)
Less: amounts capitalised in the cost of qualifying assets	–	(5,947)
	<u>16,036</u>	<u>5,784</u>

## 7. INCOME TAX EXPENSES

The Company and Bojun Investment are incorporated in the Cayman Islands and the British Virgin Islands (the “BVI”), respectively. Both jurisdictions are tax exempted under the tax laws of the Cayman Islands and the BVI and these entities have no business carried there.

No provision for Hong Kong Profits Tax has been made as the Group’s operation in Hong Kong had no assessable profit during both years. Chengdu Bojun and USA Bojun Education, Inc. had no assessable profit subject to the PRC enterprises income tax (“EIT”) of 25% and corporate tax in the United States (“USA”), respectively, since their establishment.

Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in PRC are subject to PRC EIT at a rate of 25% on its taxable income. Under the Western Development Tax Incentive Scheme\* (西部大開發稅收優惠計劃), certain subsidiaries of the Group are subject to the preferential tax rate of 15% on their respective taxable income with an effective date on 1 January 2021.

Pursuant to State Taxation Administration Announcement 2023 No. 6\* (國家稅務總局公告2023年第6號), from 1 January 2023 to 31 December 2024, certain subsidiaries of the Group that are categorised as small and low-profit enterprises can enjoy a 20% preferential tax rate on 25% of their taxable income amount for the proportion of taxable income not exceeding RMB3 million.

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Tax expense comprises:		
PRC EIT— Current year	1,482	1,709
Deferred tax	383	383
	<u>1,865</u>	<u>2,092</u>

The taxation for the Reporting Period can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>Year ended 31 August</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Loss before tax from continuing operations	<u>52,912</u>	<u>(7,311)</u>
Tax at applicable tax rate of 25%	<b>13,228</b>	(1,828)
Effect of tax losses not recognised	<b>6,264</b>	2,986
Tax effect of expenses not deductible for tax purpose	<b>5,322</b>	4,823
Tax effect of income not taxable for tax purpose	<b>(23,986)</b>	(3,862)
Effect of different tax rates of other jurisdiction	<u>1,037</u>	<u>(27)</u>
Taxation for the year	<u><b>1,865</b></u>	<u>2,092</u>

## 8. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging:

	<b>Year ended 31 August</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Directors' and chief executive's remuneration	<b>1,392</b>	1,591
Other staff costs		
— Salaries and other benefits	<b>39,751</b>	17,969
— Staff welfare	<b>1,523</b>	691
— Retirement benefit schemes	<u>1,731</u>	<u>570</u>
Total staff costs	<u><b>44,397</b></u>	<u>20,821</u>
Depreciation of property, plant and equipment	<b>11,178</b>	8,815
Depreciation of right-of-use assets	<b>3,019</b>	3,032
Auditor's remuneration	<u>1,700</u>	<u>1,300</u>

## 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	As at 31 August	
		2023 RMB'000	2022 RMB'000
Deposits paid for acquisition of a subsidiary		–	73,500
Prepayment to an independent construction contractor	(i)	50,000	–
Deposits for other borrowings under sale and leaseback		25,200	–
Deposits for establishment of school campus	(ii)	3,145	3,145
Deposit for a parcel of land	(iii)	2,729	–
Other tax receivables	(iv)	50,310	–
Advances to staffs		11,006	3,289
Amount due from Hongde Guanghua (as defined below)	(v)	32,000	37,000
Loan and other receivables from Daying Estate	(vi)	17,711	–
Consideration receivable from the disposal of equity interest	(vii)	12,933	–
Prepaid expenses		3,879	457
Other deposits and receivables		6,261	1,990
<b>Total</b>		<b>215,174</b>	<b>119,381</b>
Analysed into:			
— Current assets		120,630	41,046
— Non-current assets		94,544	78,335
		<b>215,174</b>	<b>119,381</b>

### Notes:

- (i) The balance as at 31 August 2023 represented the upfront payment paid to an independent contractor for the expansion plan of the phase 2 school campus and facilities in the Vocational College.
- (ii) The balance represents the non-interest bearing deposits placed to local government authorities for the purpose of establishment of school campus amounting to approximately RMB3,145,000 (2022: RMB3,145,000).
- (iii) The balance as at 31 August 2023 represented a deposit for a parcel of land reserved for educational use with a term of 50 years. The parcel of land was acquired by the Group subsequently in October 2023 and the deposit was included as part of the consideration.
- (iv) The balance as at 31 August 2023 mainly represented the deductible input value-added tax generated from the procurement of construction services for the Group's buildings and facilities.
- (v) The balance represents a refundable investment fund due from Sichuan Hongde Guanghua Education Management Company Limited\* (四川弘德光華教育管理有限公司) (“**Hongde Guanghua**”) in relation to the disposal of Pengzhou Bojun School\* (彭州市博駿學校), which was one of the Affected Entities. An amount of approximately RMB5,000,000 was refunded during the year ended 31 August 2023. For details, please refer to the announcements of the Company dated 27 August 2021, 26 October 2021, 20 May 2022 and 10 June 2022 and the circular of the Company dated 30 September 2021. The amount is guaranteed by independent third parties, non-interest bearing and due on demand. The Directors expected to gradually recover the receivables on or before 2026.

- (vi) The balances as at 31 August 2023 represented the receivables due from Daying Tianshi Real Estate Company Limited\* (大英天世置業有限公司) (“**Daying Estate**”), a former subsidiary of Sichuan Gaojiao prior to the completion of the acquisition of 51% equity interest in Sichuan Zhengzhuo and Sichuan Gaojiao (the “**Acquisition**”) on 31 August 2023. The gross amounts of the outstanding receivables amounted to approximately RMB22,566,000 before the fair value adjustment arising in the Acquisition. Out of the gross outstanding receivables, amount of approximately RMB15,000,000 represents an unsecured interest-bearing loan at an annual interest rate of 4.2% and repayable on 30 June 2025. The amount of the remaining gross outstanding receivables represents the former current account with Sichuan Gaojiao which is unsecured, non-interest bearing and without a fixed repayment term.
- (vii) The balances as at 31 August 2023 represented the remaining consideration receivable due from an independent third party for the disposal of the entire equity interest in Daying Estate. The gross amounts of the consideration receivables amounted to approximately RMB16,500,000 before the fair value adjustment arising in the Acquisition. The remaining consideration receivable is expected to be settled on or before the end of 2023.

## 10. OTHER PAYABLES AND ACCRUALS

	Notes	As at 31 August	
		2023	2022
		RMB'000	RMB'000
Payables for purchases of property, plant and equipment		251,610	989
Miscellaneous expenses received from students	(i)	20,950	3,200
Payroll payables		10,083	4,279
Payables for scholarship	(ii)	67,797	–
Other payables and accrued expenses		62,265	2,488
Other tax payable		151	471
Deferred cash considerations	(iii)	166,410	–
Amounts due to Pengzhou Bojun School		15,680	15,680
Deposits		32,921	–
		<u>627,867</u>	<u>27,107</u>
Total		<u>627,867</u>	<u>27,107</u>
Analysed into:			
— Current liabilities		461,457	27,107
— Non-current liabilities		166,410	–
		<u>627,867</u>	<u>27,107</u>

### Notes:

- (i) The amount represents miscellaneous expenses received from students which will be paid out on behalf of students or refund for any excess.
- (ii) The amount represents the subsidies received from different parties for distribution to students as scholarships to students.
- (iii) The amount represents consideration payables to the non-controlling shareholders of the Group’s subsidiaries, namely Shenzhen Hongyuan Education Investment Company Limited\* (深圳弘遠教育投資有限公司) (“**Shenzhen Hongyuan**”) and Sichuan Zhengzhuo Industrial Company Limited\* (四川正卓實業有限公司) (“**Zhengzhuo Industrial**”), for the Acquisition in the current year. Amounts of approximately RMB166,410,000 which are repayable after twelve months after the end of the Reporting Period in accordance with the relevant acquisition agreements were included in other payables as non-current liabilities.

## 11. DEFERRED INCOME

	<b>Year ended 31 August</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Amounts recognised in profit or loss during the year:		
Subsidies related to assets ( <i>Note</i> )	<u>(1,534)</u>	<u>(1,534)</u>

The movement of deferred income is as follows:

	<b>As at 31 August</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
At beginning of the year	<b>70,688</b>	72,222
Acquisition of subsidiaries	<b>203,209</b>	–
Amount credited to profit or loss during the year ( <i>Note 5</i> )	<u>(1,534)</u>	<u>(1,534)</u>
At end of the year	<u><b>272,363</b></u>	<u>70,688</u>

*Note:*

The Group received government subsidies for the compensation of capital expenditures incurred for the leasehold lands. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

## 12. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the consolidated financial statements, major transaction entered into by the Group with related parties is as follows:

<b>Entities</b>	<b>Nature of transactions</b>	<b>Year ended 31 August</b>	
		<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
Affected Entities	Provision of education management services	<b>14,807</b>	8,091
Affected Entities	Recharge income for the occupation of school campus	<b>2,465</b>	2,348
Chengdu Hengyu Industrial Company Limited* (成都恒宇實業有限公司) ("Chengdu Hengyu")	Rental expenses incurred	<u><b>187</b></u>	<u>187</u>

## Compensation of key management personnel

The remuneration of the Directors and other members of key management of the Group during the years indicated was as follows:

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Short-term benefits	3,417	3,300
Post-employment benefits	68	97
	<u>3,485</u>	<u>3,397</u>

## 13. DIVIDEND

No dividend has paid or declared by the Company for the years ended 31 August 2023 and 2022, nor has any dividend been proposed subsequent to 31 August 2023.

## 14. EARNINGS/(LOSS) PER SHARE

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

	Year ended 31 August	
	2023	2022
Profit/(loss) attributable to the owners of the Company (RMB'000)	51,047	(9,403)
Weighted average number of ordinary shares issued ('000)	821,856	821,856
Basic earnings/(loss) per share (RMB cents)	<u>6.21</u>	<u>(1.14)</u>

No adjustment has been made to the earnings/(loss) per share as the outstanding share options had anti-dilutive effect for the year ended 31 August 2023 and 2022.

## 15. EVENTS AFTER REPORTING PERIOD

### Issue of consideration shares

On 19 October 2023, an aggregate of 81,282,460 consideration Shares has been allotted and issued to Zhuotai Education Investment Limited\* (卓泰教育投資有限公司) (“**Zhuotai Education**”), a nominee of the vendor of 51% equity interest in Sichuan Zhengzhuo and Sichuan Gaojiao, at an issue price of HK\$0.85 per Share. Accordingly, immediately after such allotment and issue, there are 903,138,460 Shares in issue. The consideration Shares represent approximately 9.0% of the issued share capital of the Company as enlarged by such allotment and issue. For details, please refer to the announcements of the Company dated 11 April 2023, 20 July 2023, 31 August 2023 and 19 October 2023 and the circular of the Company dated 28 June 2023.

### Disposal of investment in an associate

On 27 November 2023, Chengdu Bojun and Mr. Yang Zonghua\* (楊宗華), an independent third party, entered into a sale and purchase agreement pursuant to which Chengdu Bojun agreed to transfer and Mr. Yang agreed to acquire 33.34% partnership equity interest in Chengdu Tongxing Wanbang Enterprise Management Center (Limited Partnership)\* (成都同興萬邦企業管理中心 (有限合夥)) (“**Tongxing Wanbang**”) for a total consideration of RMB17,500,000. Upon the completion of the transfer, Tongxing Wanbang will cease to be an associate of the Group. For details, please refer to the announcement of the Company dated 27 November 2023.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

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 2023 as set out in this announcement have been agreed by the auditor of the Group, ZHONGHUI ANDA CPA Limited ("**Zhonghui**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Zhonghui 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 Zhonghui on this announcement.

## **AUDIT OPINION**

Zhonghui has issued an opinion with a material uncertainty related to going concern paragraph on the consolidated financial statements of the Group for the period under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

## **EXTRACT OF THE AUDITOR'S REPORT**

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 to the consolidated financial statements which mentions that, as at 31 August 2023, the Group recorded net current liabilities of approximately RMB952,466,000, including bank and other borrowings of approximately RMB704,991,000 will be due for repayment within the next twelve months, while its total cash (including bank balances and cash and restricted bank deposits) amounted to approximately RMB496,553,000. In addition, as disclosed in note 27 to the consolidated financial statements, the Group's secured bank borrowing with a carrying amount of approximately RMB400,000,000 was classified as repayment on demand because of the failure to fulfil certain financial covenants stated in the loan agreement. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group is undertaking a number of measures as described in Note 2 to the consolidated financial statements in order to ensure it will have the ability to continue as going concern. Our opinion is not modified in respect of this matter.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Our Schools

We are a leading private education service group in Sichuan Province, the PRC, with a proven record of more than 22 years in the private education services sector. We operate our own kindergartens and high schools and has completed the acquisition of the Vocational College and the Vocational School on 31 August 2023 to tap into the vocational education industry. We also provide education management services to educational institutions.

As at 31 August 2023, the Group completed the acquisition of 51% equity interest in Sichuan Zhengzhuo and Sichuan Gaojiao, and has control over and would derive economic benefits from such entities and their subsidiaries.

As at the date of this announcement, the Group comprises one high school, two kindergartens and two vocational schools.

The following sets out the types of education provided by each of our schools as at 31 August 2023:

	Kindergarten(s)	High school(s)	Vocational school(s)
Tianfu High School		✓	
Lidu Kindergarten	✓		
Riverside Kindergarten	✓		
Vocational College			✓
Vocational School			✓

#### OUR STUDENTS

As at 1 September 2023, we had an enrolment of 33,386 students, including 187 kindergarten students, 965 high school students and 32,234 vocational school students.

Number of students by school sections	Student Enrolment			Change in percentage
	As at 1 September 2023	2022	Change	
High school	965	601	+364	+60.6%
Kindergarten	187	239	-52	-21.8%
Vocational school	32,234	-	32,234	N/A

### *School utilisation rate*

The utilisation rate of our schools is affected by a number of factors, such as the number of applications received by our schools, the availability of our facilities, the promotion strategies of our student enrolment and competition from public and private schools in Chengdu. The following table sets forth information relating to student capacity and school utilisation rates of our schools by type as at the dates indicated:

Type of school	Students capacity <sup>(2)</sup>		School utilisation rate <sup>(3)</sup>	
	2023	2022	2023	2022
High school	1,500	1,500	64.3%	40.1%
Kindergarten	295	295	63.4%	81.0%
Vocational school	42,270	–	76.3%	–
Total	<u>44,065</u>	<u>1,795</u>	<u>75.8%</u>	<u>46.8%</u>

#### *Notes:*

- (1) The student enrolment information was based on the internal records of our school. The decrease in the number of kindergarten enrolment is attributable to the increase in the number of government-run public kindergartens and the year-on-year decrease in the number of school-age children.
- (2) For high schools, the student capacity is calculated based on the number of classrooms (excluding special-purpose classrooms) in each school and the number of students that each classroom can accommodate or the capacity of the student dormitories. For kindergartens, the student capacity is calculated based on the number of classrooms (excluding special-purpose classrooms) of each kindergarten and the class size determined by our Group with reference to the maximum number of students to be accommodated by each classroom for first-tier kindergartens as stipulated by education authorities in Chengdu. For vocational schools, the student capacity is calculated based on the number of classrooms (excluding special-purpose classrooms) in each school and the number of students that each classroom can accommodate.
- (3) The school utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school.

### **Tuition and boarding fees**

For high schools, our annual tuition fees for the 2022/2023 school year was RMB42,000 per student, while boarding fees of RMB1,200 per school year was charged for each boarding student. The fees charged remained unchanged when compared to the 2021/2022 school year. For kindergartens, our annual tuition fees for the 2022/2023 school year ranged from RMB44,160 to RMB46,560 per student. The fees charged increased slightly when compared to the 2021/2022 school year.

For vocational schools, the tuition fees for the 2022/2023 school year charged by the Vocational College ranged from RMB13,550 to RMB14,000, while boarding fees ranging from RMB1,400 to RMB3,300 per school year was charged. The tuition fees charged by the Vocational School ranged from RMB4,150 to RMB4,250, while boarding fees ranged from RMB1,000 to RMB1,400 per school year was charged.

In general, our high school has an increase in tuition fees every three years to reflect increase in our operating costs. Meanwhile, there has been an increase in the operating costs of our kindergartens and we have made slight upward adjustment to the tuition fees, so that we can maintain our competitiveness in the preschool market. The tuition fees of the newly acquired vocational schools are also adjusted in accordance with market conditions, among which the tuition fees standard of the Vocational School has been implemented since 2019. On 15 May 2020, the Education Department of Sichuan Province\* (四川省教育廳) and two other departments jointly issued the “Notice on Improving the Price Management of Private High Schools in and Strengthening Post-operational Oversight in our Province” (《關於完善我省民辦高校價格管理方式加強事後監督的通知》), which stated that non-profit private high schools should, in principle, adjust their tuition fees for degree education at intervals of not less than three full school year. Our vocational schools will adjust the tuition fees in a timely manner in accordance with the requirements stated in the said notice, taking into account other relevant factors.

## **OUR OBJECTIVES IN EDUCATION**

Our schools adhere to the concepts of “Fusion of Chinese and Western, Combination of Arts and Science” (融貫中西，文理並蓄) and “Learn Intently in Pursuit of Knowledge and Caring for the World” (靜學問道，天下關懷). We strengthen the study of basic subjects according to the education rules and the law of growth of people. Meanwhile, we provide high-quality and all-round education services to our students through customised course design. We follow the future development trend of education and create education that adapts to the development of students. We believe our high quality education services facilitates the development of our students’ skills in communication, creativity and collaboration, and thereby helps them acquire academic excellence and other achievements.

Our vocational schools adhere to the school-running philosophy of “Governing the School According to the Law, Establishing the School with Morality; Establishing the School based on Market Demand, and Developing the School with Characteristics; Strengthening the School with Quality, and Promoting the School with Culture” (依法治校，以德譽校；市場立校，特色興校；品質強校，文化弘校), and establishes modern schools with modern educational ideas and concepts. With complete education, we cultivate modern people who are fully adapted to the development and competition of modern society, follow the rules of education, and follow the laws of economics to achieve the perfect combination of social and economic benefits. With the goal of “innovating the talent training model and highlighting the characteristics of higher vocational education” (創新人才培養模式，突出高職辦學特色), we actively reform the traditional school-running model in practice, innovate and cultivate talents, and efficiently meet the market demand for talents.

## EDUCATION MANAGEMENT SERVICES

Since 2001, Sichuan Boai and Chengdu Youshi have successfully established six kindergartens in Chengdu, Sichuan Province with a high starting point, high level and high standards by combining modern preschool education philosophy, strong teams of experts and abundant teaching resources. After decades of development, “Youshi Kindergarten” has become a professional kindergarten brand. Its school quality has been highly recognised by education authorities, parents and kindergarten peers, and has won many awards for teaching achievements at national, provincial and municipal levels, sustaining a high media exposure and market appeal in the province.

On 30 June 2022, Chengdu Bojun, Chengdu Youshi and Sichuan Boai (the “**Service Providers**”) and Chengdu High and New District Youshi Peninsula City Centre Kindergarten\* (成都高新區幼獅半島城邦幼兒園), Chengdu Longquan Youshi Dongshan Kindergarten\* (成都市龍泉驛區幼師東山幼兒園), Chengdu Qingyang Youshi Jingjie Kindergarten\* (成都市青羊區幼師境界實驗幼兒園), Riverside Kindergarten and Chengdu Wuhou District Youshi Kindergarten\* (成都市武侯區幼獅幼兒園) (the “**Connected Kindergartens**”) entered into a renewal agreement of a term of three years from 1 September 2022 to 31 August 2025 at an aggregate annual cap of RMB23.5 million, RMB23.5 million and RMB24.4 million, respectively, pursuant to which the Connected Kindergartens engaged Service Providers to provide education management services, brand management services and campus maintenance services. During the Reporting Period, the Group provided the said services to the Connected Kindergartens, with Riverside Kindergarten being converted to a for-profit kindergarten and results of which are consolidated to that of the Group since November 2022. For details, please refer to the announcements of the Company dated 30 June 2022 and 21 September 2022, and the circular of the Company dated 1 September 2022.

## **OUTLOOK**

### **Development Trends in the Private Education Industry in China**

With the rapid development of economy of China, the society has been attaching increasing importance to national education, and the government's expenditure on education and national investment in education have continued to increase. After a short decline in 2020, the market size of the education market in China recovered in 2022, and the market size increased steadily.

With the implementation of the “Double Reduction Policy” and the continued encouragement and support of vocational education and higher education in China, it is expected that there will be a more active and positive policy environment in the future. At the same time, with the implementation of the Private Education Promotion Law of the PRC\* (中華人民共和國民辦教育促進法), the uncertainty of the domestic private vocational education and higher education market policy has largely been eliminated. The government has launched a number of policies to support vocational education, which is favourable to private higher education in the reform stage of vocational education. With the increase in tertiary education enrolment and the growth in the number of students enrolled in tertiary education driven by the reform of vocational education, the market outlook for privately-run vocational education and higher education industry is promising.

### **Government Support for Development of Vocational Education**

On 12 October 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Promoting the High-quality Development of Modern Vocational Education\* (《關於推動現代職業教育高質量發展的實施意見》). On 20 April 2022, the newly amended Vocational Education Law of the PRC\* (《中華人民共和國職業教育法》) was passed at the 34th Session of the Standing Committee of the 13th National People's Congress. On 21 December 2022, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Deepening the Reform of the Construction of the Modern Vocational Education System\* (《關於深化現代職業教育體系建設改革的意見》). On 14 July 2023, the General Office of the Ministry of Education issued the Notice on Key Tasks to Accelerate the Construction Reform of the Modern Vocational Education System\* (《關於加快推進現代職業教育體系建設改革重點任務的通知》). A series of government initiatives in recent years show the degree of importance the Party and the State attach to vocational education. The PRC government's efforts to promote the reform and development of vocational education have never been greater.

The changes in the talent structure resulted from the upgrading of industries and the changes in the employment needs of enterprises have led to a huge shortage of skilled talents in China. With the strategic adjustment of economic structure and the acceleration of the digital transformation of industries in China, the demand for skilled talents will become more diversified and more robust. The structural contradiction between supply and demand in the market for skilled talents is prominent, and although there are more than 200 million skilled employees, the employment needs has never been satisfied. The development of vocational education is related to employment, people's livelihood and social stability, and the future policy direction of the country will certainly be favourable, allowing vocational education to develop in a more regulated, rational and orderly manner.

The development of vocational education has achieved remarkable results, training approximately 10 million high-quality technicians each year. The next step of reform will focus on optimising the talent training model, promoting vocational education from “career-oriented” to “people-oriented”, from “education” to “integration of industry and education”, and the subjects will also shift from single to diversified models. The professional setting of vocational education has closely followed the market demand, the professional structure has been continuously optimised, and the structure of the teaching team has been improved, which reflects the trend of vocational education from scale expansion to intensive development.

The government should fully coordinate various departments to leverage on various policies and resource support, and promote the high-quality development of vocational education, thus further enhance the quality of the human resources of the nation and the overall competitiveness of our economy and society.

In the future, vocational education will take on important roles in nurturing diverse talents, passing on technologies and skills as well as promoting employment and entrepreneurship, and will become an integral part of the national education system. Vocational education enterprises should insist on technology-empowered, learner-centred and quality-based lifelines to build a new vocational education ecosystem in which the education, talent, industry and innovation chains are mutually beneficial to promoting industrial prosperity. Vocational skills education is an important safeguard to support the industrial transformation and the development of the digital economy of China in the future. The policies have explicitly encouraged enterprises to participate and work together with vocational institutions to resolve the conflict between supply and demand for highly skilled talents. Vocational education will embrace tremendous opportunities for development under the dual drive from the policies and demand.

## **OUR BUSINESS DEVELOPMENT STRATEGIES AND PLANS**

### **Increase Investments in the Operation of Vocational Education Schools**

Since the reform and opening-up of the PRC market, vocational education has provided a large number of talents to support the economic and social development of the PRC. As the PRC enters a new stage of development, the rate of industrial upgrade and economic restructuring are accelerating, and the demand for technically skilled personnel in various industries is becoming more and more urgent.

We believe that vocational education, as a development project supported by the government, will be an important development opportunity for private education. On 21 December 2022, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Deepening the Reform of the Construction of the Modern Vocational Education System\* (《關於深化現代職業教育體系建設改革的意見》). The Opinions provide comprehensive and specific guidelines for the future reform and development of vocational education from concept revamping to system construction, aiming to deepen the construction of the vocational education system, cultivate more high-quality technicians and skilled talents, and serve the comprehensive development of the nation's economy and society. On 14 July 2023, the General Office of the Ministry of Education issued the Notice on Key Tasks to Accelerate the Construction Reform of the Modern Vocational Education System\* (《關於加快推進現代職業教育體系建設改革重點任務的通知》). The Notice has accelerated the process of construction reform of the modern vocational education system, and clarified the next development direction in terms of integrating resources, in-depth integration and quality improvement, and guidance for the construction of a new mechanism for the development of high-quality vocational education through Central-regional interaction, regional linkage, and collaboration between government, administration, enterprises, and schools.

The Group completed the Acquisition on 31 August 2023, and currently owns two vocational schools, namely the Vocational College and the Vocational School. The Vocational College is a full-time general higher vocational education institute approved by the People's Government of Sichuan Province and has registered with the Ministry of Education. The Vocational College started its operations in 1993, and consists of 6 secondary colleges, offering 43 courses and currently has more than 1,700 full-time teachers. The Vocational College currently has two campuses, with a campus area of over 2,580 acres and a gross floor area of over 700,000 square metres, and has more than 32,000 students. The Vocational College's enrolment number has been growing in recent years, and its enrolment scale has always been in the first echelon of private vocational colleges in Sichuan Province. With the goal of "innovating talent training models and highlighting the characteristics of higher vocational education", the college actively reforms the traditional school operation model in school practices, innovatively cultivates talents, and adapts to the market's demand for talents. Graduates have been widely recognised by the society. The college has conducted exchanges and cooperation with various universities in China and abroad, and has also established good school-enterprise cooperation relationships with more than 1,000 large and medium-sized enterprises and institutions, and implemented "school-enterprise cooperation and targeted training." The Vocational College plans to continue to improve conditions and expand its scale, striving to create a national level demonstration vocational college. A new campus

under construction is expected to be completed in 2025, and will be able to accommodate 75,000 students. The Vocational College will focus on improving its school-running standards, setting up a modern vocational education system, and improving the school-running standards. In the 15th Five-Year Plan for the development of national education, the Vocational College was established as a vocational undergraduate college to realise the vertical integration of “secondary vocational school — higher vocational school — vocational undergraduate school”, and build a modern vocational education and training system. Efforts will be made to improve the level of school-running, promoting the college as the number one in the southwest region, and the most influential vocational education group in the country. The Vocational School will optimise its professional offerings and formulate professional talent cultivation programmes according to market demand. The Vocational School is oriented towards employment and further studies, and students can continue to study in the Vocational College or vocational undergraduate schools upon graduation to enhance their vocational skills. With the gradual completion of the construction of the Suining Campus and the continuous improvement of the operating conditions, the Vocational School will also expand its enrolment scale year by year.

We will continue to improve the conditions and enhance the quality and standards of school-running. The Group also intended to acquire higher vocational colleges of a certain scale.

### **School-running with characteristics and high-standards and improves campus utilisation rate**

The Group set out to build its own characteristic education and advantageous subjects to attract students. At the same time, we provide internship opportunities through cooperation with enterprises and organisations and offer courses that meet market demand, to ensure that students would receive education closely linked with employment. Another major factor is improving the quality of education, including adopting modern teaching methods, improving the qualities of teachers, improving campus facilities, and providing comprehensive support and services to aid the life of students. External publicity is also crucial, such as increasing exposure through social media and organising events such as open days to build up the school brand. Finally, schools should maintain the competitiveness of their course content and teaching quality through continuous evaluation and improvement of educational services to meet the ever-changing educational and market needs. Through these measures, schools can not only increase their attractiveness and competitiveness, but also ensure the efficient use of resources to provide students with a valuable educational experience. We believe that through the Group’s unique and high-quality school-running measures, the number of students enrolled will steadily increase in the next few years.

### **Environment, Health and Safety**

During the Reporting Period, the Group has complied with applicable environmental laws and regulations of the PRC.

The Group is dedicated to protecting the health and safety of the students. The Group has on-site medical staff or health care personnel at each of the schools to deal with daily medical situations involving the students. For certain serious emergency medical situations, the Group will promptly send the students to local hospitals for medical treatment. Regarding security at the schools, the Group employed qualified property management companies to provide property security services at the Group’s school premises.



As far as the Board and the Company's management are aware of, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group's businesses and operations in all material aspects. There was no material violation of or non-compliance with applicable laws and regulations by the Group during the year ended 31 August 2023.

## **LATEST REGULATORY DEVELOPMENTS**

### **Regulations for the Implementation of the Private Education Promotion Law of the PRC\* (《中華人民共和國民辦教育促進法實施條例》), (the “Implementation Regulations”)**

On 14 May 2021, the State Council promulgated the Implementation Regulations, which became effective from 1 September 2021, mainly including: (1) no social organisation or individual shall control private schools that implement compulsory education or non-profit private schools that implement preschool education through merger and acquisition or control agreement; and (2) private schools that implement compulsory education shall not enter into transactions with stakeholders. Other private schools shall follow the principles of openness, fairness, equity, reasonable pricing, and standardised decision making, and shall not harm the interests of the state, the interest of our schools and the rights of our teachers and students when conducting transactions with stakeholders. Private schools shall establish an information disclosure system for transactions with stakeholders. Education, human resources and social security as well as and financial departments shall strengthen the supervision of agreements between non-profit private schools and stakeholders, and conduct annual reviews of related transactions.

The Group believes that there are still uncertainties in the interpretation and implementation of the Implementation Regulations. As at the date of this announcement, no concrete policies have been announced and launched. After detailed discussion with the PRC legal advisors and auditors, the management of the Group and the Directors are of the view that the Group has lost its control over the Affected Entities since 31 August 2021. Therefore, the Group has decided to exclude the Affected Business from the consolidated financial statements with effect from 31 August 2021 and the carrying value of the net assets of the Affected Business for the year ended 31 August 2021 has been deconsolidated in the Group's consolidated financial statements. The operations of the Affected Business have been classified as discontinued operations for the period ended 31 August 2021.

The Company will closely follow up the development of the Implementation Regulations and continuously assess the possible impact on the Company after its implementation. Meanwhile, the Company will continue to monitor developments of the above and other related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

### **Foreign Investment Law of the PRC\* (《中華人民共和國外商投資法》)**

On 15 March 2019, the National People’s Congress of the PRC has passed and promulgated the Foreign Investment Law of the PRC (the “**Foreign Investment Law**”), which was effective on 1 January 2020. The Foreign Investment Law defines “foreign investment” as investment activities directly or indirectly carried out by foreign investors in the PRC, and has listed the four situations that should be recognised as foreign investment. The Foreign Investment Law did not explicitly mention “actual control” and “contractual arrangement”. Nonetheless, it cannot be ruled out whether further laws and regulations will stipulate the subject in the future. Therefore, there are still uncertainties as to whether the structure under the contractual arrangement will be included in the scope of foreign investment supervision in the future, and if so, how it will be supervised. As at the date of the announcement, the Company’s operations have not been affected by the Foreign Investment Law. The Company will closely monitor developments in regards to the Foreign Investment Law and related laws and regulations.

### **Private Education Promotion Law of the PRC\* (《中華人民共和國民辦教育促進法》)**

The newly revised Private Education Promotion Law of the PRC that was implemented on 1 September 2017 states that the State encourages all sectors of society to establish private schools in accordance with the law, and has issued a series of documents to further regulate and support the development of private education. The main point of the regulations is that private schools can choose to register as non-profit or for-profit, and it stipulates the procedural framework that different types of schools should follow. In order to further implement the above regulations, the government and relevant competent authorities where the Group operates its schools have issued the Implementation Measures for Classification and Registration of Private Schools in Sichuan Province\* (《四川省民辦學校分類登記實施辦法》), which is mainly to follow the Central Government’s decision, actively promote the reform of private education classification, and actively and steadily advance the classification and registration management work of private schools across the province, to support and encourage different social entities to establish education institutions, and promote and standardise the healthy development of private education. As of the date of this announcement, the Group’s kindergartens and high schools have completed the classification and registration, and the remaining schools under the Group have not yet started the classification and registration procedures. Due to certain uncertainties in the interpretation and application of the above regulations, the remaining private schools under the Group will complete the classification and registration at the appropriate time.

## FINANCIAL REVIEW

### Revenue

We derive revenue from tuition fees and boarding fees charged by our schools as well as fees charged for education consultancy and management service. The following table sets forth the breakdown of major components of the revenue for the years indicated:

	For the year ended 31 August			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Tuition fees and boarding fees	<b>44,724</b>	<b>55.0</b>	10,946	32.6
Education consultancy and management service fees	<b>36,581</b>	<b>45.0</b>	22,658	67.4
Total	<b>81,305</b>	<b>100.0</b>	33,604	100.0

Revenue increased by approximately RMB47.7 million (or 142.0%) from approximately RMB33.6 million for the year ended 31 August 2022 to approximately RMB81.3 million for the year ended 31 August 2023. The increase was mainly due to the increase in tuition fees and boarding fees as a result of the increase in the total student enrolment.

### Costs of Services

Our costs of services primarily consist of staff costs, depreciation, canteen operating cost, office expenses, rental expenses and other costs. For the year ended 31 August 2022 and 2023, costs of services represented approximately 85.3% and 50.1% of our revenue, respectively. The following table sets forth a breakdown of the major components of our costs of services for the years indicated:

	For the year ended 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	<b>37,705</b>	13,392
Depreciation	<b>3,324</b>	127
Office expenses	<b>277</b>	280
Repair and maintenance	<b>726</b>	60
Utilities expenses	<b>987</b>	60
Training expenses	<b>133</b>	34
Canteen operating cost	<b>21,127</b>	847
Leasing	<b>1,619</b>	401
Others	<b>3,488</b>	1,637
Total	<b>69,386</b>	16,838

Costs of services increased by approximately RMB52.6 million (or 312.1%) from approximately RMB16.8 million for the year ended 31 August 2022 to approximately RMB69.4 million for the year ended 31 August 2023. The increase was primarily attributable to the increase in number of students which resulted in an increase in the number of teachers we employed, canteen operating cost, the depreciation for school buildings, the rental, repair and management fees of the school premises and related operating costs, among which,

- (i) staff costs increased by approximately RMB24.3 million (or 181.5%) from approximately RMB13.4 million for the year ended 31 August 2022 to approximately RMB37.7 million for the year ended 31 August 2023. Such increase was mainly due to the increase in our staff member resulting from an increase of student enrolment in the Group's schools and improvement in quality of teaching and living services.
- (ii) depreciation expenses increased by approximately RMB3.2 million (or 2,517.3%) from approximately RMB0.1 million for the year ended 31 August 2022 to approximately RMB3.3 million for the year ended 31 August 2023. Such increase was mainly due to the commencement of operation of school dormitory in Tianfu High School and an increase in depreciation on teaching facilities and equipment.
- (iii) utilities expenses increased by approximately RMB0.93 million (or 1,545.0%) from approximately RMB0.06 million for the year ended 31 August 2022 to approximately RMB0.99 million for the year ended 31 August 2023.
- (iv) canteen operation cost increased by approximately RMB20.3 million (or 2,394.3%) from approximately RMB0.8 million for the year ended 31 August 2022 to approximately RMB21.1 million for the year ended 31 August 2023, mainly due to the increase in income of related business.
- (v) leasing fee increased by approximately RMB1.2 million (or 303.7%) from approximately RMB0.4 million for the year ended 31 August 2022 to approximately RMB1.6 million for the year ended 31 August 2023, mainly due to an increase in number of students.

### Gross profit and gross profit margin

The following table sets forth the breakdown of the gross profits and gross profit margins for the years indicated:

	For the year ended 31 August						
	2023			2022			Change in gross profit margin % point
Segment revenue RMB'000	Gross profit (loss) RMB'000	Gross profit margin %	Segment revenue RMB'000	Gross profit RMB'000	Gross profit margin %		
Tuition fees and boarding fees	44,724	8,028	18.0	10,946	2,785	25.4	-7.4
Education consultancy and management service fees	36,581	3,891	10.6	22,658	13,981	61.7	-51.1
<b>Total</b>	<b>81,305</b>	<b>11,919</b>	<b>14.7</b>	<b>33,604</b>	<b>16,766</b>	<b>49.9</b>	<b>35.2</b>

Our gross profit margin decreased by approximately 35.2 percentage points from approximately 49.9% for the year ended 31 August 2022 to 14.7% for the year ended 31 August 2023. Among which, the gross profit margin for tuition fees and boarding fees decreased by approximately 7.4 percentage points from approximately 25.4% for the year ended 31 August 2022 to 18.0% for the year ended 31 August 2023. The decrease in gross profit margin for tuition fees and boarding fees was mainly attributable to the impact of the pandemic on kindergartens, commencement of operation of school dormitory in Tianfu High School and an increase in depreciation on teaching facilities and equipment. Gross profit margin of education consultancy and management services fees decreased by approximately 51.1 percentage points from approximately 61.7% for the year ended 31 August 2022 to 10.6% for the year ended 31 August 2023. The decrease in gross profit margin of education consultancy and management service fees was mainly due to the impact of the pandemic on kindergartens.

### Other income

	<b>For the year ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Bank interest income	<b>82</b>	93
Interest income from other loans	–	5,623
Release of asset-related government grants	<b>1,534</b>	1,534
Others	<b>2,465</b>	2,348
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<b>Total</b>	<b>4,081</b>	9,598
	<hr/> <hr/>	<hr/> <hr/>

Other income decreased by approximately RMB5.5 million (or 57.5%) from approximately RMB9.6 million for the year ended 31 August 2022 to RMB4.1 million for the year ended 31 August 2023, mainly attributable to the decrease in interest income from other loans by RMB5.6 million (or 100%).

### Other net gains

	<b>For the year ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Net exchange gain	<b>361</b>	302
(Loss)/gain arising on disposal of property, plant and equipment, net	<b>(2)</b>	81
Gain on bargain purchase arising on acquisition of Lidu Kindergarten business	–	179
Gain on bargain purchase arising on acquisition of Riverside Kindergarten business	<b>672</b>	–
Gain on bargain purchase arising on acquisition of Sichuan Zhengzhuo and Sichuan Gaojiao	<b>84,976</b>	–
Related gains and losses of financial guarantee contracts	<b>5,435</b>	6,066
Others	<b>(285)</b>	101
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<b>Total</b>	<b>91,157</b>	6,729
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Other income increased by approximately RMB84.4 million (or 1,254.7%) from RMB6.7 million for the year ended 31 August 2022 to approximately RMB91.2 million for the year ended 31 August 2023, mainly attributable to the one-off gains of approximately RMB85.0 million on bargain purchase arising from the completion of the Group's acquisition of 51% equity interest in the Vocational College and Vocational School.

### **Administrative expenses**

Administrative expenses primarily consist of administrative staff costs, office expenses, entertainment expenses, motor vehicle expenses, depreciation expenses for fixed assets, professional consultant charges, handling charges and certain other administrative expenses. Other administrative expenses generally include staff travel expenses, management meetings expenses and welfare expenses.

Our administrative expenses increased by approximately RMB3.5 million (or 10.3%) from RMB34.7 million for the year ended 31 August 2022 to approximately RMB38.2 million for the year ended 31 August 2023, mainly attributable to the increase in management costs and expenses which is in line with the increase in our income.

### **Finance costs**

Finance costs primarily consist of bank borrowings, other borrowings and lease liabilities.

Our finance costs increased by approximately RMB10.2 million (or 177.2%) from approximately RMB5.8 million for the year ended 31 August 2022 to approximately RMB16.0 million for the year ended 31 August 2023, mainly attributable to (i) the corresponding interest on the project loan was expensed in the amount of approximately RMB9.6 million in the current period following the completion of the construction of Lezhi Bojun School\* (樂至博駿公學) at the end of the year ended 31 August 2022, (ii) the principal amount advanced by Nanjiang Bojun School\* (南江博駿學校) to the Group amounted to approximately RMB104.6 million during the year ended 31 August 2022, which was measured at its fair value using the effective interest rate method, and (iii) the amortised finance costs for the period was approximately RMB5.6 million.

### **Taxation**

Our income tax expenses amounted to approximately RMB1.9 million and RMB2.1 million for the year ended 31 August 2023 and 2022, respectively. Income tax recorded remained relatively stable for the years concerned.

### **Profit for the year**

We recorded a turnaround from loss of approximately RMB9.4 million for the year ended 31 August 2022 to a profit of approximately RMB51.0 million for the year ended 31 August 2023, mainly attributable to (i) the increase in number of students admitted to our high school by 364 for the 2022/2023 school year as compared with that of the 2021/2022 school year, and (ii) a one-off gain on bargain purchase of approximately RMB85.0 million arising from the completion of Sichuan Wenxuan Vocational School (四川文軒職業學校) on 31 August 2023.

## Contract liabilities

We have initially recorded the tuition fees and boarding fees received as a liability under contract liabilities and recognised such amounts as revenues on a pro rata basis over the relevant period of the applicable courses. Contract liabilities increased by approximately RMB240.2 million (or 652.6%) from approximately RMB36.8 million on 31 August 2022 to approximately RMB277.0 million on 31 August 2023. Such increase was mainly due to the significant increase of number of students admitted after the completion of Vocational School on 31 August 2023. On 1 September 2023, the Vocational College had an enrolment of 29,201 students.

## Adjusted net loss

The adjusted net profit eliminates the effect of certain non-cash or one-off items, including imputed interest income from advances to related companies, negative goodwill recognised on acquisition, and redefined benefit obligations.

The term “adjusted net profit” has not been defined under HKFRS. As a non-HKFRS measure, adjusted net profit will be presented as our management believes that such information will be helpful for our investors to assess our performance.

The following table reconciles our adjusted net profit presented during the years indicated to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	<b>For the year ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit/(loss) for the year	<b>51,047</b>	(9,403)
Less:		
Gain on bargain purchases recognised on acquisitions	<b>(85,648)</b>	–
Adjusted net profit	<b>(34,601)</b>	(9,403)

For the year ended 31 August 2023, adjusted net loss was approximately RMB34.6 million, while approximately RMB9.4 million was recorded during the year ended 31 August 2022.

## LIQUIDITY AND CAPITAL RESOURCES

During the year ended 31 August 2023, we have principally financed our operations through a combination of internally generated cash flows from our operations, proceeds from the pre-IPO investment, proceeds from the Global Offering and bank borrowings. The Group regularly reviews and monitors the borrowings level. As at 31 August 2023, the Group's total borrowings amounted to approximately RMB1,507.3 million, representing an increase of approximately RMB1,347.2 million as compared with that of approximately RMB160.1 million as at 31 August 2022. Out of the total borrowings, borrowings repayable (i) on demand or within a period not exceeding one year amounted to approximately RMB705.0 million, (ii) within a period of more than one year but not exceeding two years amounted to approximately RMB367.2 million, (iii) within a period of more than two years but not exceeding five years amounted to approximately RMB401.3 million, and (iv) within a period of more than five years amounted to approximately RMB33.8 million. The borrowings were charged with interest rates ranging from 5.0% to 10.1%. Bank borrowings of the Group were primarily used in financing the working capital requirement of its operations and school constructions. There is no seasonality in the borrowing needs of the Group. The Group's cash and bank balances are mainly denominated in RMB or HK\$. The Group's cash and cash equivalents amounted to approximately RMB155.1 million and RMB346.6 million as at 31 August 2022 and 2023, respectively. We generally deposit our excess cash in interest bearing bank accounts.

Our cash have been principally used for funding working capital, purchase of property, campus buildings and equipment and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for working capital and capital expenditure needs. For the year ended 31 August 2023, we had not experienced any difficulties in settling our obligations in the normal course of business, which would have had a material impact on our business, financial condition or results of operations.

The following table sets forth a summary of our cash flows for the years indicated:

	<b>For the year ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash generated from operating activities	<b>13,117</b>	25,855
Net cash generated from (used in) investing activities	<b>346,542</b>	(53,745)
Net cash (used in) generated from financing activities	<b>(168,539)</b>	89,446
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>191,120</b>	61,556
Cash and cash equivalents at the beginning of the year	<b>155,072</b>	93,214
Effect of foreign exchange rate changes	<b>361</b>	302
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<b>346,553</b>	155,072
	<hr/> <hr/>	<hr/> <hr/>



For the year ended 31 August 2023, our cash and cash equivalents increase RMB191.1 million, of which the net cash from operating activities of approximately RMB13.1 million, the net cash from investing activities of approximately RMB346.5 million, and the net cash used in financing activities of approximately RMB168.5 million. As compared to the year ended 31 August 2022, the significant changes occurred in investing activities as the Group acquired cash and cash equivalents of Sichuan Zhengzhuo and Sichuan Gaojiao and their subsidiaries at the level of consolidated statements following their consolidation into the Group's financial statements during the Reporting Period.

## CAPITAL EXPENDITURES

Our capital expenditures were primarily related to (i) construction and acquisition of new schools; (ii) purchase of leasehold land and buildings for our schools; (iii) maintenance, renovation, expansion and upgrade of our existing schools; and (iv) purchase of education facilities and equipment. The following table sets forth our additions of property, plant and equipment and leasehold land, for the years indicated:

	<b>For the year ended 31 August</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Payment for property, plant and equipment	<b>(5,235)</b>	(139,917)
Net cash inflow from acquisitions of subsidiaries	<b>271,053</b>	61
Loans advanced to third parties	–	(104,000)
Loans repaid from third parties	–	174,000
Repayments from related companies	<b>80,713</b>	–
Proceeds from disposal of property, plant and equipment	<b>11</b>	611
Refund of investment funds in a former school	–	3,000
Refund of deposits for acquisition of a parcel of land	–	12,500
	<b>—————</b>	<b>—————</b>

We plan to satisfy such capital expenditures with a combination of our existing cash, cash generated from our operations, proceeds from the pre-IPO investment, proceeds from the listing of the Shares on the Stock Exchange (the “**Listing**”) and/or bank borrowing and other funds raised from the capital markets from time to time.

## GEARING RATIO

Gearing ratio is calculated by dividing total debts (which equal to interest-bearing bank borrowings and other borrowing) by total equity as of the respective year end date.

Our gearing ratio increased from approximately 89.3% as at 31 August 2022 to approximately 276.4% as at 31 August 2023, as the Group increased its bank borrowings to meet the requirement of capital expenditures during the year ended 31 August 2023.

## INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and incurred on bank and other borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed rate borrowing. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate risk and will consider hedging significant interest rate exposure should the need arise.

If interest rate of variable-rate bank balances and bank and other borrowings had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2023 would have decreased/increased by approximately RMB56,000 (2022: increased/decreased by approximately RMB14,000). The analysis is prepared assuming the financial instruments outstanding as at the end of period were outstanding for the whole year.

## FOREIGN EXCHANGE EXPOSURE

The majority of the Group's revenue and expenditures are denominated in RMB. The functional currency of the Company is RMB, except that certain expenditures are denominated in HK dollars.

As at 31 August 2022 and 2023, the book value of the monetary asset of the Group denominated in foreign currency was as follows:

	As at 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank balances and cash — HK\$	<u>4,788</u>	<u>18,521</u>

The following shows the Group's sensitivity to 5% appreciation of HK\$ against RMB which represents the management's assessment of reasonable possible change in HK\$–RMB exchange rate. The sensitivity analysis of the Group includes the outstanding HK\$ denominated balances as adjusted for 5% appreciation of HK\$ as at 31 August 2022 and 2023. The analysis is prepared assuming the financial instruments outstanding as at 31 August 2022 and 2023 were outstanding for the whole year of 2022 and 2023, respectively.

	As at 31 August	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Increase in post-tax profit	<u>239</u>	<u>926</u>

There would be an equal and opposite impact on the above post-tax results, should the HK\$ be weakened against RMB in the above sensitivity analysis.

In the Directors' opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure as at the end of reporting period does not reflect the exposure during the year. The Group has not used any financial instrument to hedge the foreign exchange risk that it is exposed to currently. However, the management of the Group monitors our foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

## **CHARGES ON THE GROUP'S ASSETS**

Except for the furniture, fixtures and equipment pledged for the other borrowing under sale and leaseback arrangement, there were no other material charges on the Group's assets as at 31 August 2023.

## **CONTINGENT LIABILITIES**

As at 31 August 2023, except for the financial guarantee provided to the Affected Entities as disclosed in the financial statements, the Group did not have any material contingent liabilities.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 10 April 2023, (i) Shenzhen Hongyuan and Zhengzhuo Industrial (as sellers), Sichuan Yunmao Education Management Company Limited\* (四川云懋教育管理有限公司) (“**Sichuan Yunmao**”) and Chengdu Bomao (as buyer), Sichuan Zhengzhuo, the Company and Chengdu Bojun, and (ii) Shenzhen Hongyuan and Zhengzhuo Industrial (as sellers), Sichuan Yunmao and Chengdu Bomao (as buyers), Sichuan Gaojiao and the Company, entered into respective agreements in relation to the acquisition of 51% equity interest in Sichuan Zhengzhuo and Sichuan Gaojiao, respectively, at an aggregate consideration of RMB309,060,000, being the Acquisition. Completion of the Acquisition took place on 31 August 2023. For details, please refer to the announcements of the Company dated 11 September 2020, 16 October 2020, 11 January 2021, 19 August 2021, 31 August 2021, 25 November 2021, 8 December 2021, 10 April 2023, 26 June 2023, 20 July 2023, 31 August 2023 and 19 October 2023, and the circular of the Company dated 28 June 2023. For the year ended 31 August 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures except for the Acquisition.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As of 31 August 2023, the Group has no future plans for material investments and capital assets.

## USE OF PROCEEDS

Net proceeds (the “**Net Proceeds**”) from the Listing (including the partial exercise of overallotment option) amounted to approximately HK\$494.0 million (equivalent to approximately RMB428.9 million), after deducting the underwriting fees, commissions and expenses payable by us in connection with the Listing. Since the Listing Date and up to the date of this announcement, the Company has utilised approximately RMB416.0 million of the Net Proceeds, leaving a balance in the sum of approximately RMB12.9 million remaining unutilised (the “**Unutilised Net Proceeds**”), representing approximately 3% of the Net Proceeds.

On 24 November 2023, the Board resolved to reallocate the change the use of the Unutilised Net Proceeds in the sum of approximately HK\$12.9 million, which was originally intended for establishment of a school in the United States (the “**US School**”), to the settlement of partial consideration in cash in relation to the Acquisition on or before 31 December 2024. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the proposed reallocation of the Unutilised Net Proceeds is set out below:

	Planned use of Net Proceeds as disclosed in the Prospectus <i>(RMB million)</i>	Net Proceeds utilised as at the date of this announcement <i>(RMB million)</i>	Net Proceeds unutilised as at the date of this announcement <i>(RMB million)</i>	Proposed application of the Unutilised Net Proceeds <i>(RMB million)</i>	Expected timetable for proposed use of the Unutilised Net Proceeds
Establishing Nanjiang Bojun School	120.1	120.1	—	—	
Establishing Wangcang Bojun School	120.1	120.1	—	—	
Establishing the high school section of Tianfu School	94.4	94.4	—	—	
Establishing Pengzhou Bojun School	38.6	38.6	—	—	
Establishing Lezhi Bojun School	21.4	21.4	—	—	
Establishing US School	12.9	—	12.9	—	
Financing the acquisition of Vocational School	—	—	—	12.9	On or before 31 December 2024
As working capital and for general corporate purpose	21.4	21.4	—	—	

For details, please refer to the announcement of the Company dated 24 November 2023.

## **SIGNIFICANT INVESTMENT HELD**

As at 31 August 2023, the Group held 33.34% partnership equity interests in Tongxing Wanbang with investment amounting to RMB17.5 million. Such entity is primarily engaged in the business of providing cultural activities services including display services in conferences and exhibitions, organising large-scale events and corporate image planning services. As at 31 August 2023, the proposed investment project of the entity is still in the initial phase, and the entity has no income. As daily operational expenditure is incurred, the entity recorded a loss of approximately RMB9,000 for the year ended 31 August 2023.

On 27 November 2023, Chengdu Bojun and Mr. Yang Zonghua\* (楊宗華), an independent third party, entered into a sale and purchase agreement, pursuant to which Chengdu Bojun agreed to transfer and Mr. Yang agreed to acquire 33.34% partnership equity interest in Tongxing Wanbang for a total consideration of RMB17.5 million. For details, please refer to the announcement of the Company dated 27 November 2023.

## **SIGNIFICANT LEGAL PROCEEDINGS**

For the year ended 31 August 2023, the Group had not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Issue of consideration shares**

On 19 October 2023, an aggregate of 81,282,460 consideration Shares has been allotted and issued to Zhuotai Education, a nominee of the vendor of 51% equity interest in Sichuan Zhengzhuo and Sichuan Gaojiao, at an issue price of HK\$0.85 per Share. Accordingly, immediately after such allotment and issue, there are 903,138,460 Shares in issue. The consideration Shares represent approximately 9.0% of the issued share capital of the Company as enlarged by such allotment and issue. For details, please refer to the announcements of the Company dated 11 April 2023, 20 July 2023, 31 August 2023 and 19 October 2023 and the circular of the Company dated 28 June 2023.

### **Disposal of investment in an associate**

The Group disposal of the 33.34% partnership interest in Tongxing Wanbang subsequent to the Reporting Period. For details, please refer to the paragraph headed “Significant investment held” above.

## **DISCLOSURE UNDER RULE 13.19 OF THE LISTING RULES**

Pursuant to a banking facility letter (the “Facility”) with a lending bank, the Group is required to satisfy a number of financial covenants, including that the aggregate borrowings of certain consolidated affiliated entities of the Company shall not exceed RMB1.1 billion. Based on the unaudited consolidated management accounts of the relevant consolidated affiliated entities of the Company for the year ended 31 August 2023, the aggregate borrowings exceeded RMB1.1 billion and the Group failed to satisfy the relevant financial covenants under the Facility (the “Breach”). The Breach constituted an event of default under the Facility, in which the lending bank shall be entitled to declare the outstanding principal amount, accrued interest and all other sums payable under the Facility immediately due and payable. As of the date of this announcement, the outstanding principal amount of the Facility was RMB390 million.

The Group has yet to obtain a waiver from the lending bank in respect of the Breach. As of the date of this announcement, the lending bank has not made any demand for immediate repayment of the loans under the Facility.

Notwithstanding the Breach, the Group has not experienced any difficulties in obtaining financing with its banks for its working capital. The Group is in the process of obtaining a new bank facility in a principal amount of not less than RMB400 million to repay the loan under the Facility in full. Having considered the above, the Company considers that there is no material adverse impact on the operation of the Group as a result of the Breach. Further announcement(s) regarding the Facility and the status of the waivers will be made as and when appropriate.

## **EMPLOYEE BENEFITS**

As at 31 August 2023, the Group completed the Acquisition. Before the completion of the Acquisition, the Group had 406 employees (as at 31 August 2022: 380). The Group participates in various employee benefit plans, including provident fund, pension, medical insurance and unemployment insurance. The Company has also provided a share option 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. For the year ended 31 August 2023, the staff costs (including directors’ fees) amounted to approximately RMB44.4 million (2022: RMB20.8 million). Upon the completion of the Acquisition, the Group had 2,430 employees.

## **SHARE OPTION SCHEME**

On 12 July 2018, a share option scheme (the “**Share Option Scheme**”) was conditionally approved and adopted pursuant to a written resolution passed by the shareholders of the Company (the “**Shareholders**”). The Share Option Scheme will remain in force for a period of ten years from the date of its adoption. On 13 May 2021, the Company granted 1,000,000 share options at an exercise price of HK\$0.598 per share. The share options shall be valid for a period of ten years commencing from the date of grant to 12 May 2031 (both days inclusive). On 17 August 2023, the Company granted 5,000,000 share options at an exercise price of HK\$0.130 per share. The share options shall be valid for a period of ten years commencing from the date of grant to 16 August 2033 (both days inclusive). As at 31 August 2023, 6,000,000 share options remained outstanding under the Share Option Scheme.

## **FINAL DIVIDENDS**

The Board does not recommend the payment of final dividend for the year ended 31 August 2023.

## **ANNUAL GENERAL MEETING**

The Company will hold an annual general meeting (the “**AGM**”) on Thursday, 18 January 2024. Notice of the AGM will be published and dispatched to the Shareholders in accordance with the articles of association of the Company and the Listing Rules as soon as practicable.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 18 January 2024, the register of members of the Company will be closed from Monday, 15 January 2024 to Thursday, 18 January 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 January 2024.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 August 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **COMPETITION AND CONFLICT OF INTERESTS**

As at the date of this announcement, none of the Directors has, either directly or indirectly, any interest in any business which causes or may cause any significant competition with the business of the Group or has any other conflict of interests with the Group.

## **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**”) set out in Appendix 10 to the Listing Rules as the code of conduct for dealings in the Company’s securities by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code for the period from 1 September 2022 to 31 August 2023.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board has committed to achieving high corporate governance standards in order to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has complied with all the applicable code provisions set out in Part 2 of Appendix 14 to the Listing Rules (the “**CG Code**”) except for the code provision C.2.1 since 26 November 2020 as more particularly described below. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, Mr. Ran Tao resigned as an executive Director and the chief executive officer of the Company, and Mr. Wang Jinglei, an executive Director and chairman of the Board, was appointed as the chief executive officer of the Company, with effect from 26 November 2020. The Group therefore does not have a separate chairman and chief executive officer as at the date of this announcement and Mr. Wang Jinglei currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## **AUDIT COMMITTEE**

The Company has established an audit committee (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. Cheng Tai Kwan Sunny, Mr. Mao Daowei and Ms. Luo Yunping, all being independent non-executive Directors. Mr. Cheng Tai Kwan Sunny is the chairman of the Audit Committee.



The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 August 2023 and has met with the independent auditor, Zhonghui. 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 publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the public float as required by the Listing Rules for the year ended 31 August 2023.

## **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](http://www.hkexnews.hk) and the website of the Company at <http://bojuneducation.com>. The annual report of the Group for the year ended 31 August 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to shareholders in due course.

## **APPRECIATION**

The Company would like to express its sincere appreciation for the unremitting effort and dedication made by the Board, the management and all of its staff members, as well as the continuous support to the Group from the Shareholders, the government, business partners, professional advisers and loyal customers.

By Order of the Board  
**Bojun Education Company Limited**  
**Wang Jinglei**  
*Chairman and Executive Director*

Hong Kong, 30 November 2023

*As at the date of this announcement, the executive Director is Mr. Wang Jinglei; the non-executive Director are Mr. Wu Jiwei; and the independent non-executive Directors are Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei, Mr. Yang Yuan and Ms. Luo Yunping.*

\* *For identification purpose only*