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 2018

HIGHLIGHTS

	For the year ended 31 August			
	2018	2017	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	Percentage
Revenue	**231,259**	181,240	+50,019	+27.6%
Gross profit	**61,814**	59,134	+2,680	+4.5%
Profit for the year	**15,308**	35,050	–19,742	–56.3%
Adjusted net profit*	**26,294**	37,858	–11,564	–30.5%

* The adjusted net profit, which is unaudited in nature, is presented because the management of the Group 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 HKFRS, which is profit for the year, please refer to the section headed "financial review" in this announcement.

	Beginning from the following school year			Change
	2017/2018	2016/2017	Change	Percentage
Total student enrollment	**7,211**	5,789	+1,422	+24.6%

	As at 31 August			
	2018	2017	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	Percentage
Deferred revenue	**280,481**	201,325	+79,156	+39.3%

ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2018

The board (the "**Board**") of directors (the "**Directors**") of Bojun Education Company Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the consolidated annual results of the Group for the year ended 31 August 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2018

		Year ended 31 August	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**231,259**	181,240
Costs of services		**(169,445)**	(122,106)
Gross profit		**61,814**	59,134
Other income and (expenses)	*4*	**3,701**	8,712
Other gains and (losses)		**105**	(328)
Listing expenses		**(17,620)**	(7,650)
Administrative expenses		**(29,879)**	(21,649)
Finance costs	*5*	**(997)**	(1,363)
Profit before taxation		**17,124**	36,856
Income tax expenses	*6*	**(1,816)**	(1,806)
Profit for the year	*7*	**15,308**	35,050
Other comprehensive income that will not be reclassified subsequently to profit or loss			
– Remeasurement of defined benefit obligation		**455**	327
Total comprehensive income for the year		**15,763**	35,377
Profit for the year attributable to:			
– owners of the Company		**16,678**	35,050
– non-controlling interests		**(1,370)**	–
		15,308	35,050
Profit and total comprehensive income for the year attributable to:			
– owners of the Company		**17,133**	35,377
– non-controlling interests		**(1,370)**	–
		15,763	35,377
EARNINGS PER SHARE			
– Basic *(RMB)*		**0.03**	0.06
– Diluted *(RMB)*		**0.03**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 AUGUST 2018

		As at 31 August	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**671,226**	224,341
Prepaid lease payments		**106,400**	27,718
Deferred tax assets		**10,538**	–
Deposits		**24,958**	18,277
Prepayments for purchase of property, plant and equipment		**35,536**	3,705
		848,658	274,041
Current assets			
Prepaid lease payments		**2,638**	940
Other receivables, deposits and prepayments	*8*	**21,056**	16,492
Amounts due from directors		**–**	36,452
Amounts due from related companies		**371**	40,912
Bank balances and cash		**607,062**	332,531
Total current assets		**631,127**	427,327
Total assets		**1,479,785**	701,368
Current liabilities			
Other payables and accruals	*9*	**267,716**	91,087
Deferred revenue		**280,481**	201,325
Amounts due to related companies		**–**	32,656
Amount due to a director		**–**	1
Amount due to a shareholder		**–**	1,300
Obligations under finance leases due within one year		**–**	3,599
Borrowings	*10*	**60,000**	–
Income tax payable		**13,581**	3,327
Total current liabilities		**621,778**	333,295
Net current assets		**9,349**	94,032
Total assets less current liabilities		**858,007**	368,073
Non-current liabilities			
Defined benefit obligations		**3,482**	2,946
Deferred income	*11*	**42,152**	–
		45,634	2,946
Net assets		**812,373**	365,127
Capital and reserves			
Share capital		**7,152**	1
Reserves		**805,991**	365,126
Equity attributable to owners of the Company		**813,143**	365,127
Non-controlling interests		**(770)**	–
		812,373	365,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 Company's shares 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 fundamental education, including preschool, primary, middle and high schools in the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 August 2018, the Group has consistently applied HKFRSs that are effective for the financial year beginning on 1 September 2017.

At the date of issuance of these consolidated financial statements, the Group has not early applied the following new and amendments to HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and the new interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

Revenue represents service income comprising tuition fees and boarding fees.

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.

Information reported to the CODM, for the purposes of resources allocation and assessment of segment performance focuses on types of services provided. CODM considers the business from service perspectives whereby assesses the performance of preschool education provided by Youshi Kindergarten, Lidu Kindergarten, Riverside Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Peninsula Kindergarten (collectively referred to as "**Preschool Education**"), and degree education provided by Jinjiang School, Longquan School, Tianfu School, Nanjiang School, Wangcang School and Chengdu School (collectively referred to as "**Degree Education**"), based on revenue generated in the course of the ordinary activities of a recurring nature. The services provided and type of customers are similar to those schools providing Preschool Education and Degree Education respectively and they are subject to similar regulatory environment. Accordingly, their segment information is aggregated as two reportable segments, i.e. Preschool Education and Degree Education. The accounting policies of the reportable segment are the same as the Group's accounting policies.

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

	Preschool Education *RMB'000*	**Degree Education** *RMB'000*	**Total** *RMB'000*
Year ended 31 August 2018			
Tuition fees	56,781	169,151	225,932
Boarding fees	–	5,327	5,327
Total	56,781	174,478	231,259
Year ended 31 August 2017			
Tuition fees	56,233	121,370	177,603
Boarding fees	–	3,637	3,637
Total	56,233	125,007	181,240

Geographical information

During the year, 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

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

4. OTHER INCOME AND (EXPENSES)

	Year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Amounts received for ancillary services income *(Note i)*	**35,806**	25,189
Less: relevant expenses	**(35,806)**	(25,189)
Start-up expenses relating to new schools *(Note ii)*	**(6,835)**	–
Imputed interest income from advances to related companies	**3,323**	2,426
Imputed interest income from advances to directors	**3,311**	2,416
Long-aged creditors waived	**2,511**	–
Interest income from banks	**1,020**	2,998
Interest waived by a third party *(Note 5)*	**–**	713
Others, net	**371**	159
	3,701	8,712

Notes:

i. The amount represents expenses incurred for ancillary services provided to the students at the on-campus canteens.

ii. The amount represents start-up expenses for three newly established schools which schooling services have not been commenced at 31 August 2018.

5. FINANCE COSTS

	Year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**944**	–
Obligation under finance leases	**53**	650
Advances from a third party *(Note)*	**–**	713
	997	1,363

Note: During the year ended 31 August 2017, the Group recognised interest on the fund advanced from a third party which the principal amount was fully repaid during the year. The interest of RMB713,000 was waived by the third party and the amounts were recognized as "other income and (expenses)" (Note 4) in the respective year.

6. INCOME TAX EXPENSES

The Company and Bojun Investment are incorporated in the Cayman Islands and BVI respectively, both jurisdictions are tax exempted.

No provision for Hong Kong Profits Tax has been made as the Group's operation in Hong Kong had no assessable profit during the reporting period. Chengdu Bojun and USA Bojun Education, Inc. had no assessable profit subject to the PRC EIT of 25% and corporate tax in the United States ("**USA**"), respectively, since their establishment.

The Preschool Education is subject to the PRC EIT of 25%. According to announcement of the State Administration of Taxation on issues concerning Enterprise Income Tax related with enhancing the Western Region Development Strategy, all preschools were registered with the local tax authority to be eligible to the reduced 15% PRC EIT rate. No PRC EIT has been recognised by the Degree Education in the reporting period.

Pursuant to the PRC Income Tax Law and the respective regulations, the companies of the Group which operate in Mainland China are subject to PRC EIT at a rate of 25% on its taxable income.

	Year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Tax expense comprises:		
Current tax – PRC EIT	**12,354**	1,806
Deferred tax	**(10,538)**	–
	1,816	1,806

The taxation for the reporting period can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**17,124**	36,856
Tax at applicable tax rate of 25%	**4,281**	9,214
Effect of tax losses not recognised	**5,563**	2,597
Tax effect of expenses not deductible for tax purpose	**825**	2,167
Utilisation of tax losses previously not recognised	**(2,687)**	(864)
Effect of tax concessions and partial tax exemption	**(6,166)**	(11,308)
Taxation for the year	**1,816**	1,806

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Directors' and chief executive's remuneration	**980**	894
Other staff costs		
– Salaries and other benefits	**96,745**	69,465
– Staff welfare	**13,598**	9,011
– Retirement benefit schemes		
– defined contributions benefits	**8,724**	6,872
– defined benefits	**991**	221
Total staff costs	**121,038**	86,463
Royalty fee (included in "costs of services")	**11,727**	9,554
Depreciation of property, plant and equipment	**20,530**	17,662
Release of prepaid lease payments	**2,206**	940
Auditor's remuneration	**1,388**	3,225

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 August	
	2018	2017
	RMB'000	*RMB'000*
Deposits *(Note i)*	**25,321**	18,986
Prepayments	**10,195**	7,276
Loan to a non-controlling shareholder of a subsidiary *(Note ii)*	**8,000**	–
Advances to staff	**2,439**	1,230
Other receivables	**12**	3,711
Deferred issue costs	**–**	3,386
Others	**47**	180
Total	**46,014**	34,769
Less: Deposits presented under non-current assets	**(24,958)**	(18,277)
Presented under current assets	**21,056**	16,492

Notes:

i. At 31 August 2018, the balance mainly represents the non-interesting bearing deposits placed to local government authorities for the purpose of establishment of new school campus amounting to RMB6,761,000 (2017: nil) and RMB12,500,000 (2017: RMB12,500,000) which are refundable deposits placed to a local government authority for acquisition of a parcel of land for the purposes of establishment and development of new school campus.

ii. The balance is non-interesting bearing, unsecured and without a fixed repayment term.

9. OTHER PAYABLES AND ACCRUALS

	As at 31 August	
	2018	2017
	RMB'000	*RMB'000*
Payables for property, plant and equipment	**138,306**	2,025
Miscellaneous expenses received from students *(Note i)*	**45,734**	38,361
Royalty fees payable	**37,364**	25,637
Advance from a third party *(Note ii)*	**20,000**	–
Payroll payable	**12,209**	8,901
Accrued expenses	**6,184**	7,845
Other tax payable	**990**	833
Accrued listing expenses	**–**	1,036
Others	**6,929**	6,449
	267,716	91,087

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 balance is non-trade in nature, unsecured, non-interest bearing and has been fully settled prior to the issuance of these consolidated financial statements.

10. BORROWINGS

	As at 31 August	
	2018	2017
	RMB'000	*RMB'000*
Unsecured bank borrowings with corporate guarantee *(Note)*	**60,000**	–
Analyzed as:		
Carrying amount repayable within one year	**60,000**	–

Note: As at 31 August 2018, the unsecured bank borrowings bear variable interest at 140% of the benchmark interest rate of the People's Bank of China and are all repayable in May 2019.

11. DEFERRED INCOME

	Year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Amounts recognised in profit or loss during the year:		
Subsidies related to assets *(Note)*	**(548)**	–

The movement of deferred income is as follows:

	As at 31 August	
	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**–**	–
Receipt of subsidies related to assets *(Note)*	**42,700**	–
Amount credited to profit or loss during the year	**(548)**	–
At end of the year	**42,152**	–

Note: The Group received a government subsidy for the compensation of capital expenditures incurred for the prepaid lease payment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

(The contents of the following market review are extracted from the independent market research report on China's private education market dated 9 July 2018 commissioned by the Company and prepared by Frost & Sullivan)

Overview

The PRC fundamental education market operates under the formal education system, comprising in general four phases, namely, preschool, primary school, middle school and high school education. Among the four phases of fundamental education, primary and middle schools constitute the nine-year compulsory education in China.

Fundamental education operated by private entities was first allowed in China in the early 1980s. The primary purpose of the Chinese government in allowing private capital was to solve the problem of insufficient public funds for educational businesses. During the 1990s, private fundamental education experienced rapid growth. Currently, private fundamental education has become an important force in the China's overall education system.

Overview of the Private Fundamental Education Industry in Sichuan and Chengdu

Due to its large population base, Sichuan has been one of the largest private fundamental education markets in China in terms of total student enrollments. In 2016, the penetration rate of private fundamental education in Sichuan province reached 17.4% based on an approximately 2,084,000 total student enrollments. Chengdu, as the provincial capital of Sichuan and the most important economic, political and cultural center in Sichuan, accounted for approximately 19.3% of Sichuan's total population and approximately 37.2% of provincial GDP in 2016. Chengdu led the province's private fundamental education market with a total student enrollment of approximately 578,200 and a penetration rate of approximately 28.8%, 11.4% higher than the average rate of Sichuan.

Market Size of and Trends in Sichuan's Private Fundamental Education Industry

Total annual revenue of private fundamental education industry in Sichuan climbed from approximately RMB5.5 billion in 2012 to approximately RMB10.9 billion in 2016, representing a CAGR of approximately 18.7%. By 2016, total annual revenue of private fundamental education accounted for approximately 8.6% of the overall fundamental education industry in Sichuan. From 2017 to 2021, total annual revenue of the private fundamental education industry in Sichuan is expected to rise from approximately RMB12.7 billion to approximately RMB22.4 billion, representing a CAGR of approximately 15.1%.

Student Enrollment in Private Fundamental Education in Sichuan

The total enrollment of private fundamental education in Sichuan has witnessed stable growth from approximately 1.7 million in 2012 to approximately 2.1 million in 2016, representing a CAGR of approximately 5.6%. High-school enrollment enjoyed the fastest growth with a CAGR of approximately 11.1%. The number of high-school student enrollment increased from approximately 80,500 in 2012 to approximately 122,500 in 2016. Preschool enrollment accounted for the largest share of private fundamental education in Sichuan with a CAGR of approximately 6.4% from 2012 to 2016. Rising birth rates since 2010 coupled with parents' stronger willingness and ability to spend on their children's education had provided driving force for the market. Looking forward, the total enrollment of Sichuan's private fundamental education is expected to sustain stable growth, reaching approximately 2.7 million in 2021. Preschool is likely to remain a major driver of the market in the coming years due to the relaxation of the One-Child Policy.

BUSINESS REVIEW

Our Schools

We are a leading private education service group in Chengdu, Sichuan Province, China. In the 2017/2018 school year, we operated one middle and high school, two middle schools and six kindergartens in Chengdu. As measured by student enrollment, we ranked second in the private middle school education industry and fifth in the private preschool education industry in Chengdu with approximately 6.6% and 0.4% of market share respectively in the 2017/2018 school year (2016/2017 school year: approximately 5.2% and 0.5%), according to Frost & Sullivan.

Our Objectives in Education

We aim to provide all-round education services to our students and nurture them to excel not only in academics by offering them with vibrant learning opportunities. We believe the success of our education services have developed our students' skills in communication, creativity and collaboration, thereby helping them to achieve excellence in academic achievements.

Education Services and Academic Performance

The core educational curriculum of our middle schools and our middle and high schools is designed based on the standards set by the PRC national and provincial educational authorities. The curriculum is primarily formulated towards Zhongkao for middle-school students and Gaokao for high-school students. At the Zhongkao administered in 2018, approximately 91.7% (2017: 92.0%) of our graduating middle-school students who participated in such examinations scored well enough for intake by first-tier high schools in Chengdu.

In addition to standard educational curriculum, we also provide a variety of extracurricular activities for our middle-school and high-school students, ranging from music, arts, foreign languages to sports and robotics, to benefit their personal development. We also encourage our students to participate in inter-school competitions to cultivate their talents and enrich their school life.

School Facilities

In line with our schools' focus on offering comprehensive educational programs for our students, our campuses have been equipped with a variety of facilities, such as classrooms, lecture halls, multi-media rooms, piano rooms, music rooms, dancing rooms, computer rooms, gymnasiums, general science laboratories, libraries, outdoor fields, sports courts (such as basketball, badminton and volleyball courts), canteens, dormitories, administrative offices and staff apartments.

Students and Admission

We aim to recruit students who are enthusiastic about learning and eager to keep expanding their academic horizons. Apart from careful review of the application documents, we usually require interviews with prospective students and their parents as part of our admission procedures, in order to recruit students that meet our admission requirements through a highly selective process.

As of 1 September 2017, we had an aggregate enrollment of 7,211 students, including 1,556 students at the kindergartens, 5,325 middle school students and 330 high school students. The following table sets forth information relating to the student enrollment of our schools as of the dates indicated:

School	**School Enrollment As at 1 September 2017**	**2016**
Jinjiang School		
Middle school	2,885	2,726
Longquan School		
High school	330	171
Middle school	1,537	993
Tianfu School		
Middle school	903	313
Sub-total (Middle schools and high schools)	5,655	4,203
Youshi Kindergarten	321	308
Lidu Kindergarten	303	327
Longquan Kindergarten	241	258
Peninsula Kindergarten	278	272
Riverside Kindergarten	146	151
Qingyang Kindergarten	267	270
Sub-total (Kindergarten)	1,556	1,586
Total	7,211	5,789

Teachers and Teacher Recruitment

We believe teachers are the key to maintaining our high-quality educational programs and services as well as maintaining the reputation of our schools. We consider that teachers should act as role models for our students and, therefore, they should be competent in teaching and dedicated to their profession as well as the well-being of students. It is crucial to both the development of our students and the success of our schools that we recruit teachers who meet our criteria for appointment and can thrive in our schools.

As of 1 September 2017, we had 580 teachers. Approximately 98.6% of our middle school and high school teachers held a bachelor's degree or above, while approximately 25% of them held a master's degree or above The following table sets forth the number of teachers at all of our schools for the years indicated:

School	**Number of Teachers[1] As at 1 September**	
	2017	**2016**
Jinjiang School	192	177
Longquan School	170	107
Tianfu School	82	36
Youshi Kindergarten	24	23
Lidu Kindergarten	29	29
Longquan Kindergarten	27	26
Peninsula Kindergarten	22	21
Riverside Kindergarten	13	11
Qingyang Kindergarten	21	21
Total	580	451

Note:

(1) Excluding teachers engaged in administrative duties.

We manage our teacher-to-student ratio based on the number of our student enrollments, our education plans and activities and the needs of our students. We review the teacher-to-student ratio of each of our schools from time to time to ensure that we can maintain high-quality educational programs and services.

The following table sets forth the teacher-to-student ratio of our schools:

School	Teacher-to-student ratio[1] As at 1 September 2017	2016
Jinjiang School	1:15.0	1:15.4
Longquan School		
—High school	1:9.2	1:8.1
—Middle school	1:11.5	1:11.6
Tianfu School	1:11.0	1:8.7
Youshi Kindergarten	1:13.4	1:13.4
Lidu Kindergarten	1:10.5	1:11.3
Longquan Kindergarten	1:8.9	1:9.9
Peninsula Kindergarten	1:12.6	1:13.0
Riverside Kindergarten	1:11.2	1:13.7
Qingyang Kindergarten	1:12.7	1:12.9

Note:

(1) The teacher-to-student ratio is arrived at by dividing the student enrollment of the school by the number of teachers employed by the school.

Teacher Retention Rate

In order to retain high-caliber teachers, we offer competitive remuneration package and our teachers are also entitled to performance bonuses, which are based on the quality of teaching as assessed by our Group. Our middle and high-school teachers may stay at our staff quarters. Further, as one of the major benefits for our middle and high-school teachers, their children could enroll in our schools free of charge. We believe we have maintained a good working relationship with our teachers and enjoyed a high retention rate.

For the years ended 31 August 2017 and 2018, (i) the teacher retention rates at our high school were approximately 95.0% and 94.1%, respectively, (ii) the teacher retention rates at our middle schools were approximately 91.7% and 93.2%, respectively, (iii) the teacher retention rates at our kindergartens were approximately 84.0% and 66.2%[1], respectively. The retention rate is calculated based on the total number of teachers at our schools at the beginning of a school year minus the total number of teachers who voluntarily resign from our schools during the corresponding school year, divided by the total number of teachers at our schools at the beginning of a school year.

Note:

(1) There was a higher number of kindergarten teachers leaving during July and August 2018 owing to planned adjustments to the number of new classes and intake of students for the new school year starting from September 2018. While the teacher-to-student ratio was maintained at an appropriate level through the recruitment of new teachers, the retention rate of kindergarten teachers for the year ended 31 August 2018 was duly affected.

Tuition and Boarding Fees

For our middle schools and high schools, our tuition fees for the 2016/2017 school year and the 2017/2018 school year ranged from RMB28,000 to RMB32,000 per student per year. For boarding students, a boarding fee of RMB1,200 per student per year was also charged. The tuition fees of our kindergartens for the 2016/2017 school year and the 2017/2018 school year ranged from RMB26,160 to RMB48,960 per student per year. The following table sets forth the tuition fees and boarding fees of our schools for the school years indicated.

	Tuition fees and boarding fees	
School	**2017/2018 school year**	**2016/2017 school year**
Jinjiang School		
Middle school	**RMB28,000 – RMB33,200**	RMB28,000 – RMB33,200
Longquan School		
High school	**RMB33,200**	RMB33,200
Middle school	**RMB29,200 – RMB33,200**	RMB29,200 – RMB33,200
Tianfu School		
Middle school	**RMB33,200**	RMB33,200
Youshi Kindergarten	**RMB33,360 – RMB40,560**	RMB33,360 – RMB40,560
Lidu Kindergarten	**RMB38,160 – RMB45,360**	RMB38,160 – RMB45,360
Longquan Kindergarten	**RMB26,160 – RMB27,360**	RMB26,160 – RMB27,360
Peninsula Kindergarten	**RMB44,160 – RMB48,960**	RMB44,160 – RMB48,960
Riverside Kindergarten	**RMB34,560 – RMB41,760**	RMB34,560 – RMB41,760
Qingyang Kindergarten	**RMB36,960 – RMB44,160**	RMB36,960 – RMB44,160

School Capacity and Utilisation

Enrollment and Capacity

With increasing demand for quality private education from parents in China, our schools experienced significant growth in capacity and enrollment in recent years.

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 marketing activities of our schools and competition from public and private schools in Chengdu. The following table sets forth information relating to student enrollment, capacity and school utilisation rates of our schools by type as of the dates indicated:

	As at 1 September					
Type of school	**Enrollment**		**Student capacity[1]**		**School utilisation rate[2] (%)**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
High school	330	171	360	180	91.7	95.0
Middle school	5,325	4,032	5,762	4,413	92.4	91.4
Kindergarten	1,556	1,586	1,865	1,835	83.4	86.4
Total	7,211	5,789	7,987	6,428	90.3	90.1

Notes:

(1) For our high school and our middle schools, the capacity is calculated based on the number of classrooms (excluding special-purpose rooms) in each school and the number of students that each classroom can accommodate or the capacity of the student dormitories according to our calculations. For the kindergartens, the capacity is calculated based on the number of classrooms (excluding special-purpose rooms) 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 the education authorities in Chengdu.

(2) The school utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school.

(3) The student enrollment information was based on the internal records of our schools.

OUTLOOK

Development Trends in the Private Fundamental Education Industry in Sichuan and Chengdu

The Frost & Sullivan Report indicates the following development trends in the private fundamental education industry in Sichuan and Chengdu:

- **Increasing Penetration:** the demand for private fundamental education in Sichuan and Chengdu is likely to increase in the coming future. Parents from the younger generation put a special emphasis on all-round development in their children's education, and private schools that possess abundant resources to offer a wide array of extracurricular activities and programs are expected to benefit from this trend. Meanwhile, more students choose to enroll in private schools because of the improving quality of teaching in private education in Sichuan and Chengdu.

- **Local Brand Development:** another key trend is the expected rise of more strong local education brands. Sichuan and Chengdu lag behind developed regions in the development private fundamental education. Hence the local private education market has been rather fragmented. However, along with economic development, improvements in policy environment and the increasing experience gained by local educational institutions, local brands are expected to rapidly develop with the rise of local market leaders that are highly competitive in resource integration and commercial operations.

- **Differentiation:** with continuous development in the private fundamental education market in Sichuan and Chengdu, the competition among private schools and between private schools and public schools is expected to further intensify. Compared with developed markets such as Beijing and Shanghai, private fundamental education in Sichuan and Chengdu lacks differentiation from public education. In the future, private education is expected to develop more unique features, such as foreign language, sports and art programs and an international environment.

- **Industry Consolidation:** The education market in Sichuan and Chengdu is also undergoing reform. A large number of ownership transfers and mergers and acquisitions have been taking place and increasing consolidation is expected in the market. The rise and further development of leading private education operators are based primarily on a strategy of organic growth.

OUR BUSINESS DEVELOPMENT STRATEGIES AND PLANS

Our aim is to maintain and cement our leading position in the private education market in Chengdu and further expand the geographic coverage of our school network in Sichuan Province, China. To achieve this aim, we plan to pursue the following business strategies:

(a) Extend our geographic coverage in Sichuan, China through the further expansion of our school network by way of market penetration and market diversification

1) Establishing new schools by purchasing land use rights in Sichuan Province: We intend to expand our school network by purchasing land use rights in Sichuan Province and developing new schools when we identify appropriate opportunities. As at the date of this announcement, we had undertaken the following steps to expand our business:

   – In August 2017, we entered into an educational project investment agreement with the local government of Nanjiang County (南江縣) of Bazhong City (巴中市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Nanjiang School, named as Nanjiang Bojun School* (南江博駿學校) with an estimated total student enrollment of approximately 3,200 students. Nanjiang School would comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Nanjiang School commenced operation in September 2018 with intake of students from grade 1 (primary school) to 7 (middle school). The high school is expected to commence operation in September 2021.

   – In August 2017, we entered into an educational project investment agreement with the local government of Wangcang County (旺蒼縣) of Guangyuan City (廣元市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Wangcang School, named as Wangcang Bojun School* (旺蒼博駿公學) with an estimated total student enrollment of approximately 4,000 students. Wangcang School would comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Wangcang School commenced operation in September 2018 with intake of students from grade 1 (primary school) to 7 (middle school). The high school is expected to commence operation in September 2021.

   – In December 2017, we entered into an educational project investment agreement with the local government of Lezhi County (樂至縣) of Ziyang City (資陽市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Lezhi School with an estimated total student enrollment of approximately 3,200 students. Lezhi School will comprise a kindergarten, a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Lezhi School is expected to commence operation in September 2019 with intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2022.

– In August 2018, we entered into an educational project investment agreement with the local government of Zhongjiang County (中江縣) of Ziyang City (德陽市), a prefecture-level city of Sichuan Province, pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Zhongjiang School with an estimated total student enrollment of approximately 4,500 students. Zhongjiang School will comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Zhongjiang School is expected to commence operation in September 2019 with intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2022.

– In November 2018, we entered into an educational project investment agreement with Neijiang High and New Technology Industrial Zone Management Committee* (內江高新技術產業園區管理委員會), pursuant to which the parties agreed to establish, by way of the acquisition of land use rights, Neijiang School in Neijiang High and New Technology Zone, Sichuan Province with an estimated total student enrollment of approximately 4,000 students. Neijiang School will comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Neijiang School is expected to commence operation in September 2020 with intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2023.

2) In addition to developing new schools by acquiring land use rights, we also establish new schools through cooperation with third-party business partners:

– In July 2017, we entered into a cooperation agreement with the Shuangquan Village Committee of Wanan Street of Tianfu New District (天府新區萬安街道雙泉村村民委員會) in Chengdu in relation to the joint project for the expansion of Tianfu School campus and school premises. We will also start a high school section at Tianfu School with an estimated enrollment of approximately 960 students. Subject to approval by and registration with relevant PRC authorities, the new high school section is expected to commence on 1 September 2019.

– In September 2017, we entered into a cooperation agreement with an independent third party (the "**School Investor**") in connection with the establishment of Chengdu Bojun School, named as Pengzhou Bojun School* (彭州市博駿學校) comprising a primary school, a middle school and a high school with a total enrollment of not less than 4,000 students. Chengdu Mingxian and the School Investor would act as the joint school sponsors of Chengdu Bojun School and would own 51% and 49% sponsor interests, respectively. Chengdu Bojun School commenced operation in September 2018 with intake of students for grades 1, 5 and 6 (primary school) and grade 7 (middle school).

– In January 2018, we entered into a memorandum of understanding with Excelsior School System Inc. (the "**US Partner**") to expand our school network abroad. The US Partner is engaged in the provision of private high school education services in California for grades 9-12 students and is an accredited school of the Western Association of Schools and Colleges. Pursuant to the memorandum of understanding, our Group and the US Partner will set up a joint venture to establish the US School, being a for-profit private international school in the Los Angeles area offering grades 7-12. The joint venture will be owned by our Group as to 70% and the US Partner as to 30%. We will provide funding for the operations and purchase of facilities and will be involved in the planning of teaching programs to be offered by the US School. The US Partner will provide management services to the US School, assist our Group in identifying school premises and recruiting teachers for the US School.

The following table provides a summary of the estimated capacities of the new school premises to be opened in September 2019:

School premises	**Date of commencement**[1]	**Estimated capacities for students**
Tianfu School (High School Section)	September 2019	960
Zhongjiang School	September 2019	4,500
Lezhi School	September 2019	3,200
US School	September 2019	240
Total		**8,900**

Note:

1. The commencement of schools is subject to among other things, successful acquisition of land (where applicable), approval by the registration with relevant authorities and the progress of construction work. Therefore, the aforesaid new schools may or may not be opened according to our plans.

(b) Increase the student enrollment level of our existing schools

We intend to increase the student enrollment level of our existing schools, in particular the schools newly established in recent years. Since certain of our construction investments and operation costs are fixed, we believe that our financial results would be significantly improved if we are able to enroll more students at such schools. To achieve this objective, we plan to continue to publish our application information and admission requirements on the Internet and social media.

The following table provides a summary of the schools in operation as at September 2018 and their estimated capacity:

School premises	Student at school September 2018	Expected capacity for students
Jinjiang School	3,055	3,300
Longquan School	2,487	3,500
Tianfu School***	1,635	2,000
Nanjiang School*	318	3,200
Wangcang School*	412	4,000
Chengdu School*	979	4,000
Affiliated kindergarten**	1,287	1,865
Total	**10,173**	**21,865**

*: New schools opened in September 2018

**: Including 6 kindergartens in Chengdu, namely, Youshi Kindergarten, Lidu Kindergarten, Riverside Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Peninsula Kindergarten.

***: Middle School Section

(c) Provide private education services in a "through-train" mode under our new brand of Bojun School (博駿公學)

Leveraging on over 16 years' experience in the private education industry and success in replicating our business model for the management of private high schools, we have successfully expanded our school network under the new brand under our new brand of Bojun School (博駿公學) by adopting our existing teaching management system and administration system to provide primary school, middle school and high school education services in a "through-train" mode, so that we could increase market opportunities in the private education industry, enhance the continuity of our curriculum and strengthen support for students to the benefit of their growth and development.

(d) Consistently provide high-quality education and maintain a strong team of experienced and qualified teaching team

We plan to consistently provide high-quality education to our students. We believe this will not only enhance our reputation on a continuous basis, but is also key to our future success. We will continue to focus on the quality of the education we provide and monitor the academic performance of our students. We are committed to nurturing our students to become well-rounded individuals and constructive members of society, providing each of our students with customized advice and guidance through our dedicated and professional teaching staff. To achieve this objective, we will increase the variety of our extracurricular activities and enhance cooperation with overseas educational institutions so as to broaden the knowledge base and enrich the learning experience of our students.

The quality of our teaching team is crucial for maintaining and enhancing the quality of our education services. We will retain a strong team of experienced and qualified teachers and other teaching staff and improve their teaching quality by arranging various training for them in respect of teaching theories and methodologies. With respect to the recruitment of new teachers, we will maintain our rigorous hiring process. In addition to assessing the applicants' academic background, we will evaluate their abilities in using different teaching methods and skills by requiring them to teach a live class. We also intend to attract and retain well-qualified teachers by providing sound career advancement opportunities and competitive remuneration packages.

(e) Enhance our profitability by optimizing our pricing ability and improving our services

Our profitability is highly dependent on the tuition fees and boarding fees we charge. In order to optimise our pricing ability, we will enhance our services by upgrading and improving the campus facilities and increasing the variety of our extracurricular activities. We will proactively apply for the increase of our tuition fees after taking into account the general market conditions and the costs of our operations. Such increase is subject to approval by the relevant PRC regulatory authorities.

Having a strong reputation for the quality of our education services and the performance of our students and taking into consideration the growing demand for private education services in Sichuan Province, we believe we are in a position to increase our pricing without compromising our ability to attract and retain students.

Environment, Health and Safety

The Group's business has not violated applicable environmental laws and regulations of the PRC in any material aspect.

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

So far as the Board of Directors 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 reporting period.

Latest Regulatory Developments

(i) On 20 April 2018, the Ministry of Education issued the "Implementation Rules for the Private Education Law of the People's Republic of China (Amendment Bill) (Draft for Comment)" (《中華人民共和國民辦教育促進法實施條例《(修訂草案)(徵求意見稿)》) to solicit public views. On 10 August 2018, the PRC Ministry of Justice announced the "Implementation Rules for the Private Education Law of the People's Republic of China (Amendment Bill) (Submission Draft)" (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "**Amendment Bill**") for consultation on the basis of the aforesaid Draft for Comment issued by the Ministry of Education. As advised by our PRC legal advisor in respect of PRC laws, the Amendment Bill has yet to be promulgated or enacted in the PRC, the Company will continue to monitor developments of the Amendment Bill and related laws and regulations.

(ii) In the "Implementation Opinions on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education" (Chuan Fu Fa 2018 No. 37) (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》(川府發2018 37 號)) ("**Sichuan Implementation Opinion**") announced by Sichuan People's Government on 17 September 2018, it is stipulated that "the sponsors of existing private schools shall submit an election of the nature of schools operated in writing to the competent authorities by 1 September 2020, and schools that fail to submit such information by the stipulated timeline shall not be eligible for election as for-profit private schools. Schools that have elected to be not-for-profit private schools shall complete relevant procedures by 1 September 2021. Schools that have elected to be for-profit private schools shall complete relevant procedures by 1 September 2023 in case of private schools offering tertiary formal education, or by 1 September 2022 in case of other schools."As of now, all the schools operated by us have been registered as not-for-profit private schools. As Sichuan Implementation Opinion does not provide for any specific procedures or rules relating to the conversion of existing private schools to for-profit schools or not-for-profit schools and Sichuan Province has not promulgated other implementation rules or detailed guidance, the Group's schools have yet to complete the new election and registration procedures under Sichuan Implementation Opinion as at the date of this announcement. Our PRC legal advisor is of the view that our schools in operation will not violate Sichuan Implementation Opinion and related laws and regulations as a result of not electing and registering their types for the time being.

(iii) On 15 November 2018, the Central Committee of the Communist Party of China and the State Council of the People's Republic of China jointly issued "Certain Opinions on Deepening the Reform and Regulating the Development of Pre-school Education" (關於學前教育深化改革規範發展的若干意見) (the "**Opinions**"). Pursuant to the Opinions, among other things, private companies should not control not-for-profit kindergartens through contractual arrangements. As at the date of this announcement, the Group operates six not-for-profit kindergartens through contractual arrangements, which account for approximately 24.6% of the Group's revenue for the year ended 31 August 2018 and approximately 12.7% of the Group's total number of students enrolled as at 1 September 2018. The Company is seeking legal advice on the Opinions and will take all reasonable steps to comply with the Opinions as it may be advised.

As at the date of this announcement, the Group's operations have not been affected by the above Opinions and regulatory policies. Based on the current conditions and Company's preliminary assessment, the Board is of the view that above Opinions and regulations do not have an immediate material adverse impact on the Group's operation and financial conditions.

The Company will continue to monitor developments of above Opinion and related laws and regulations, and will make further announcements in respect thereof in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Stock Exchange**") as and when appropriate.

Compliance with the Qualification Requirement

According to the Regulations on Operating Sino-foreign Schools (《中外合作辦學條例》), the foreign investor in a Sino-Foreign Joint Venture Private School must be a foreign educational institution which has acquired relevant qualifications and experience in a foreign country (the "**Qualification Requirement**"). As part of our effort to fulfill the Qualification Requirement, we have adopted specific plans and taken concrete steps reasonably considered by us to be significant to indicate our compliance with the Qualification Requirement. On 19 August 2016, we established US Bojun as an operating entity in the United States. On 29 January 2018, we entered through US Bojun into a memorandum of understanding with the US Partner, an institution which had extensive experience in provision of private education services in the United States, to expand our school network abroad. Pursuant to the memorandum of understanding, our Group and the US Partner will set up a joint venture for the establishment of the US School in the Los Angeles area. The joint venture will be owned by our Group as to 70% and the US Partner as to 30%. We will provide funding to finance operations and the purchase of facilities, and will be involved in the design of the education programs to be offered by the US School. The US Partner will provide management services to the US School, assist our Group in identifying school premises and recruiting teachers for the

US School. We intend to allocate approximately US$3.2 million for the purpose of establishing the US School. We intend to meet part of such capital expenditure by utilising approximately RMB12.9 million (equivalent to approximately US$1.9 million) from the Hong Kong public offering and the International Offering (the "**Global Offering**") and the remainder through equity and/or debt financing and/or with our internal funds, as and when we see fit. As of the date of this announcement, we were in the process of identifying a suitable site for the US School.

The Group's PRC legal advisor indicated to the Group that the relevant regulatory developments and guidance related to the qualification requirements have not changed.

FINANCIAL REVIEW

Revenue

We derive revenue from tuition fees and boarding fees our schools collected from our students. The following table sets forth the breakdown of major components of the revenue for the years indicated:

	For the year ended 31 August			
	2018	**Percentage of total**	2017	Percentage of total
	RMB'000	***%***	*RMB'000*	*%*
Tuition fees				
– Kindergartens	**56,781**	**24.6**	56,233	31.0
– Middle schools and high schools	**169,151**	**73.1**	121,370	67.0
Sub-total	**225,932**	**97.7**	177,603	98.0
Boarding fees	**5,327**	**2.3**	3,637	2.0
Total	**231,259**	**100.0**	181,240	100.0

Our revenue increased by approximately RMB50.0 million or 27.6% from approximately RMB181.2 million for the year ended 31 August 2017 to approximately RMB231.3 million for the year ended 31 August 2018. The increase was mainly attributable to the increased total student enrollment level, which resulted in an increase in tuition and boarding fees.

Student enrollment level in our schools increased by approximately 24.6% from 5,789 as of 1 September 2016 to 7,211 as of 1 September 2017, mainly due to an increase in the number of students enrolled in our middle schools and high schools including Jinjiang School, Longquan School and Tianfu School.

Costs of services

Our costs of services primarily consist of staff costs, depreciation, cost of cooperative education, rental expenses and other costs. For the years ended 31 August 2017 and 2018, our costs of services represented approximately 67.4% and 73.3% of our total revenue, respectively. The table below sets forth the breakdown of the major components of our costs of services for the years indicated:

	For the year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Staff costs	**98,115**	72,219
Depreciation and amortization	**19,850**	17,646
Royalty fees	**11,727**	9,554
Rental and management fees	**22,991**	8,260
Office expenses	**7,929**	6,265
Repair and maintenance	**1,077**	2,864
Utilities expenses	**2,229**	1,910
Training expenses	**2,242**	1,120
Others	**3,285**	2,268
Total	**169,445**	122,106

Our costs of services increased by approximately RMB47.3 million or 38.8% from approximately RMB122.1 million for the year ended 31 August 2017 to approximately RMB169.4 million for the year ended 31 August 2018. The increase was primarily attributable to the expansion of Jinjiang School, Longquan School and Tianfu School in terms of student capacity and student enrollment level, which resulted in an increase in the number of teachers we employed, the depreciation and management fees for school buildings, the rental and management fees of the school premises and related operating costs, among which,

(i) staff costs increased by approximately RMB25.9 million or 35.9% from approximately RMB72.2 million for the year ended 31 August 2017 to approximately RMB98.1 million for the year ended 31 August 2018, primarily because (i) the number of teachers we hired increased from 451 as of 1 September 2016 to 580 as of 1 September 2017. In particular, the number of teachers we hired for Jinjiang School, Longquan School and Tianfu School increased from 320 as of 1 September 2016 to 444 as of 1 September 2017 so as to be in line with the expansion; and (ii) we offered more competitive remuneration packages to attract and retain high quality teachers during the year ended 31 August 2018.

(ii) depreciation and amortization expenses increased by approximately RMB2.2 million or 12.5% from approximately RMB17.6 million for the year ended 31 August 2017 to approximately RMB19.9 million for the year ended 31 August 2018, primarily due to the enhancement and expansion of Longquan School and Tianfu School.

(iii) Royalty fees increased by approximately RMB2.2 million or 22.7% from approximately RMB9.6 million for the year ended 31 August 2017 to approximately RMB11.7 million for the year ended 31 August 2018, due to the increase in tuition fees income from our middle schools and high schools as a result of increased number of students enrolled and the increase in applicable royalty rate.

(iv) Rental and management fees increased by approximately RMB14.7 million or 178.3% from approximately RMB8.3 million for the year ended 31 August 2017 to approximately RMB23.0 million for the year ended 31 August 2018, primarily because of the increase in rental and management fees for Longquan School and property rental expenses which Tianfu School incurred for student residence.

In addition, our costs of services such as office expenses, utilities expenses and training expenses increased in line with the expansion in scale of the schools operated by the Group.

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					
	2018			2017		
	Segment revenue *RMB'000*	**Gross profit** *RMB'000*	**Gross profit margin** %	Segment revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin %
Middle schools and high schools	**174,478**	**46,241**	**26.5**	125,007	41,167	32.9
Kindergartens	**56,781**	**15,573**	**27.4**	56,233	17,967	32.0
Total	**231,259**	**61,814**	**26.7**	181,240	59,134	32.6

Gross profit margin of our middle schools and high schools decreased from approximately 32.9% for the year ended 31 August 2017 to approximately 26.5% for the year ended 31 August 2018. The decrease in gross profit margin was mainly because of (i) the increase in staff costs and depreciation and amortization for Tianfu School and Longquan School resulted from the expansion of student capacity and student enrollment level; and (ii) the increase in rental and management fees for Longquan School and property rental expenses which Tianfu School incurred for student residence during the year ended 31 August 2018.

Gross profit margin of our kindergartens decreased from approximately 32.0% for the year ended 31 August 2017 to approximately 27.4% for the year ended 31 August 2018. The decrease in gross profit margin was mainly attributable to the higher remuneration package offered to teaching staff of our kindergartens which resulted in an increase in the staff costs of our kindergartens for the year ended 31 August 2018.

Other income and (expenses)

Our other income and (expenses) primarily consists of (i) imputed interest income from advances to directors, (ii) imputed interest income from advances to related companies; and (iii) interest income from banks.

Our other income and (expenses) decreased by approximately RMB5.0 million or 57.5% from approximately RMB8.7 million for the year ended 31 August 2017 to approximately RMB3.7 million for the year ended 31 August 2018. Such decrease was mainly attributable to the start-up cost of approximately RMB6.8 million of three newly established schools in the 2018/2019 school year, namely Nanjiang Bojun School, Wangcang Bojun School and Penzhou Bojun School, which offset the aforesaid other income.

Listing expenses

Listing expenses primarily consisted of professional fees in relation to the preparation for and the proceeding with our Global Offering.

Listing expenses increased by approximately RMB10.0 million or 130.3% from approximately RMB7.7 million for the year ended 31 August 2017 to approximately RMB17.6 million for the year ended 31 August 2018, primarily attributable to the increase in professional fees in relation to the preparation for our Global Offering.

Administrative expenses

Administrative expenses primarily consist of administrative staff costs, office expenses, entertainment expenses, motor vehicle expenses, deprecation, 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 RMB8.2 million or 38.0% from approximately RMB21.6 million for the year ended 31 August 2017 to approximately RMB29.9 million for the year ended 31 August 2018, mainly attributable to the expansion of the Group's business scale, the increase in the number of administrative staff and the increase in administrative operating expenses.

Finance costs

Our finance costs primarily consist of bank borrowings and obligation under finance leases.

Our finance costs decreased by approximately RMB0.4 million or 26.9% from approximately RMB1.4 million for the year ended 31 August 2017 to approximately RMB1.0 million for the year ended 31 August 2018, primarily attributable to the decrease in and termination of in obligation under finance leases for the year ended 31 August 2018.

Taxation

Our income tax expenses for the year ended 31 August 2017 and 2018 amounted to approximately RMB1.8 million and RMB1.8 million, respectively.

Profit for the year

Our profit for the year decreased by approximately RMB19.7 million or 56.3% from approximately RMB35.1 million for the year ended 31 August 2017 to approximately RMB15.3 million for the year ended 31 August 2018, which primarily attributable to: (i) the increase in non-recurring listing expenses of approximately RMB10.0 million; (ii) the start-up cost of approximately RMB6.8 million for the three newly established schools, namely Nanjiang Bojun School* (南江博駿學校), Wangcang Bojun School* (旺蒼博駿公學) and Pengzhou Bojun School* (彭州市博駿學校), which commenced operations in the 2018/2019 school year; as well as (iii) our increased revenue from student enrollment growth offset by the increase in staff costs and property rental expenses incurred for school capacity improvement.

Deferred revenue

We record tuition fees and boarding fees collected initially as a liability under deferred revenue and recognize such amounts as revenue proportionately over the relevant period of the applicable program. Our deferred revenue increased by approximately RMB79.2 million or 39.3% from approximately RMB201.3 million as of 31 August 2017 to approximately RMB280.5 million as of 31 August 2018. The increase was primarily due to the increase in our student enrollment as a result of our school network expansion as well as the raise in the level of tuition fees.

Adjusted net profit

The adjusted net profit eliminates the effect of certain non-cash or one-off items, including imputed interest income from advances to related companies, imputed interest income from advances due to directors and the listing expenses. The term adjusted net profit is not defined under HKFRS. As a non-HKFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the effect of imputed interest income and listing expenses on our net profit.

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

	For the year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**15,308**	35,050
Less:		
Imputed interest income from advances to related companies	**(3,323)**	(2,426)
Imputed interest income from advances to directors	**(3,311)**	(2,416)
Add:		
Listing expenses	**17,620**	7,650
Adjusted net profit	**26,294**	37,858

For the year ended 31 August 2018, our adjusted net profit amounted to RMB26.3 million, representing a decrease of RMB11.6 million or 30.5% from RMB37.9 million as recorded for the year ended 31 August 2017, mainly attributable to the staff costs and the property rental expenses which Tianfu School incurred for student residence.

LIQUIDITY AND CAPITAL RESOURCES

During the reporting period, 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 short-term bank borrowings. The short-term bank borrowings amounted to RMB60.0 million as of 31 August 2018, all denominated in Renminbi. As of 31 August 2018, our short-term bank borrowings have a variable interest at 140% of the benchmark interest rate of the People's Bank of China. Our cash and cash equivalents amounted to approximately RMB332.5 million and RMB607.1 million as of 31 August 2017 and 2018, respectively. We generally deposit our excess cash in interest bearing bank accounts.

Our principal uses of cash have been for funding working capital, purchase of property, plant and equipment and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using fund from a 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 2018, we did not experience any difficulties in settling our obligations in the normal course of business, which would have had a material impact to our business, financial condition or results of operations.

The following table sets forth a summary of our cash flows for two financial years:

	For the year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Net cash from operating activities	**126,931**	127,812
Net cash (used in) investing activities	**(359,813)**	(69,637)
Net cash from (used in) financing activities	**506,824**	(99,223)
Net increase (decrease) in cash and cash equivalents	**273,942**	(41,048)
Cash and cash equivalents at the beginning of the year	**332,531**	373,579
Effect of exchange rate changes	**589**	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**607,062**	332,531

CAPITAL EXPENDITURES

Our capital expenditures were primarily related to (i) development and construction 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 periods indicated:

	For the year ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Payment for property, plant and equipment	**(327,855)**	(64,107)
Payment for leasehold land	**(82,586)**	–
Prepayment for property, plant and equipment	**(35,536)**	–

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 Global Offering and/or bank borrowing and other funds raised from the capital markets from time to time.

CAPITAL COMMITMENTS

	As at 31 August	
	2018	2017
	RMB'000	*RMB'000*
Capital expenditure in respect of:		
– the acquisition of property, plant and equipment and land use rights contracted for but not provided in the reporting period	**53,506**	46

GEARING RATIO

Gearing ratio is calculated by dividing total debts (which equal interest-bearing bank borrowings and obligation under finance leases) by total equity as of the respective year end date.

Our gearing ratio increased from approximately 1.0% as of 31 August 2017 to approximately 7.4% as of 31 August 2018, as the Group increased its bank borrowings to meet the requirement of capital expenditures during the year ended 31 August 2018.

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 by bank borrowings. The Group currently does not use any financial instrument to hedge interest rate risk exposure. 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 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 2018 would have decreased/increased by approximately RMB60,000 (2017: nil).

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK dollars. As at 31 August 2018, certain bank balances and cash were denominated in HK dollars. Any material volatility in the exchange rates of these currencies against RMB may affect the financial condition of the Group. 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 foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

CHARGES ON THE GROUP'S ASSETS

There were no material charges on the Group's assets as at 31 August 2018.

CONTINGENT LIABILITIES

As at 31 August 2018, the Group did not have any material contingent liabilities (31 August 2017: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 August 2018, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 August 2018, save as disclosed in this announcement, the Group did not have any other immediate plans for material investments and capital assets.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the Listing (including the partial exercise of over-allotment option) of 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, will be applied in the manner as set out in the section headed "Future plans and use of proceeds" of the Company's prospectus dated 19 July 2018. As at 31 August 2018, the Company applied the net proceeds in the following manner:

Use of proceeds	% of the net proceeds	Proceeds allocated *(RMB million)*	Amount utilized *(RMB million)*	Unutilized balance *(RMB million)*
I. Establishing Nanjiang School	28%	120.1	108.0	12.1
II. Establishing Wangcang School	28%	120.1	106.7	13.4
III. Establishing the high school section of Tianfu School	22%	94.4	36.7	57.7
IV. Establishing Chengdu School	9%	38.6	31.1	7.5
V. Establishing Lezhi School	5%	21.4	2.0	19.4
VI. Establishing US School	3%	12.9	–	12.9
VII. As working capital and for general corporate purpose	5%	21.4	21.4	–
Total	100%	428.9	305.9	123.0

The unutilized net proceeds are generally placed in licensed financial institutions as short-term interest-bearing deposits.

SIGNIFICANT INVESTMENT HELD

As at 31 August 2018, the Group did not hold any significant investment.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 August 2018, 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.

EMPLOYEE BENEFITS

As at 31 August 2018, the Group had approximately 1,391 employees (as at 31 August 2017: approximately 1,114). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also adopted 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 2018, the annual staff costs (including directors' fees) amounted to approximately RMB121.0 million (2017: RMB86.5 million).

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. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. For the year ended 31 August 2018, no share options were granted under the Share Option Scheme by the Company. In addition, as at 31 August 2018, no share options under the Share Option Scheme were outstanding.

FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 August 2018.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting (the "**AGM**") on Friday, 18 January 2019. Notice of the AGM will be published and dispatched to the shareholders of the Company 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 on the AGM to be held on Friday, 18 January 2019, the register of members of the Company will be closed from Tuesday, 15 January 2019 to Friday, 18 January 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting on the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 14 January 2019, for registration.

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

During the period from 31 July 2018 (the "**Listing Date**") to 31 August 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any 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 the Listing Date to 31 August 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and to enhance corporate value and accountability. Since the Listing Date, the Company has applied the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

AUDIT COMMITTEE

The Company has established the audit committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The audit committee comprises three members, namely, Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei and Ms. Luo Yunping, all being independent non-executive Directors of the Company. 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 2018 and has met with the independent auditor, Deloitte Touche Tohmatsu. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at http://bojuneducation.com. The annual report of the Group for the year ended 31 August 2018 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 unremitted 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 of the Company, the government, business partners, professional advisers and loyal customers.

By Order of the Board
Bojun Education Company Limited
Xiong Tao
Chairman and Executive Director

Hong Kong, 27 November 2018

As at the date of this announcement, the executive Directors are Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong; the non-executive Directors are Mr. Bai Zimin and Mr. Wang Ping; and the independent non-executive Directors are Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei and Ms. Luo Yunping.

* *For identification purpose only*