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 2019

HIGHLIGHTS

	For the year ended 31 August			
	2019	2018	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	Percentage
Revenue	**338,019**	231,259	+106,760	+46.16%
Gross profit	**89,755**	61,814	+27,941	+45.20%
Profit for the year	**28,941**	15,308	+13,633	+89.06%
Adjusted net profit*	**28,998**	26,294	+2,704	+10.28%

* The adjusted net profit 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 HKFRS, which is profit for the year please refer to the section headed "Financial review – Adjusted net profit" in this announcement.

	Beginning from the following school year			Change
	2018/2019	2017/2018	Change	Percentage
Total student enrollment	**10,173**	7,211	+2,962	41.08%

	As at 31 August			
	2019	2018	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	Percentage
Contract liabilities (Deferred revenue)	**350,837**	280,481	+70,356	+25.08%

ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2019

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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2019

		Year ended 31 August	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Revenue from provision of education services	*4*	**338,019**	231,259
Costs of services		**(248,264)**	(169,445)
Gross profit		**89,755**	61,814
Other income (expenses)	*5*	**7,329**	3,701
Other gains (losses)		**8,473**	105
Listing expenses		**–**	(17,620)
Administrative expenses		**(53,634)**	(29,879)
Finance costs	*6*	**(6,549)**	(997)
Profit before tax		**45,374**	17,124
Income tax expenses	*7*	**(16,433)**	(1,816)
Profit for the year	*8*	**28,941**	15,308
Other comprehensive income that will not be reclassified subsequently to profit or loss			
– Remeasurement of defined benefit obligations		**57**	455
Total comprehensive income for the year		**28,998**	15,763
Profit for the year attributable to			
– owners of the Company		**26,540**	16,678
– non-controlling interests		**2,401**	(1,370)
		28,941	15,308
Profit and total comprehensive income for the year attributable to			
– owners of the Company		**26,597**	17,133
– non-controlling interests		**2,401**	(1,370)
		28,998	15,763
EARNINGS PER SHARE			
– Basic *(RMB)*		**0.03**	0.03
– Diluted *(RMB)*		**N/A**	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2019

		As at 31 August	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,106,119**	671,226
Prepaid lease payments		**178,042**	106,400
Deferred tax assets		**16,354**	10,538
Deposits		**24,958**	24,958
Prepayments for purchase of property, plant and equipment		**45,426**	35,536
		1,370,899	848,658
Current assets			
Prepaid lease payments		**3,922**	2,638
Other receivables, deposits and prepayments	*9*	**96,555**	21,056
Amounts due from related companies		**343**	371
Bank balances and cash		**336,647**	607,062
Total current assets		**437,467**	631,127
Total assets		**1,808,366**	1,479,785
Current liabilities			
Other payables and accruals	*10*	**377,190**	267,716
Contract liabilities		**350,837**	–
Deferred revenue		**–**	280,481
Borrowings	*11*	**140,000**	60,000
Income tax payable		**31,409**	13,581
Total current liabilities		**899,076**	621,778
Net current (liabilities) assets		**(461,609)**	9,349
Total assets less current liabilities		**909,290**	858,007

		As at 31 August	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Non-current liabilities			
Defined benefit obligations		**4,302**	3,482
Deferred income	*12*	**65,418**	42,152
		69,720	45,634
Net assets		**839,570**	812,373
Capital and reserves			
Share capital		**7,138**	7,152
Reserves		**830,801**	805,991
Equity attributable to owners of the Company		**837,939**	813,143
Non-controlling interests		**1,631**	(770)
		839,570	812,373

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 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 full spectrum private fundamental education, including preschool, primary, middle and high schools in the PRC.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of 31 August 2019, the Group recorded net current liabilities of approximately RMB461,609,000. In view of these circumstances, the directors of the Company have given consideration of the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis because the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Group's cash flow projection including the extended payment terms as granted by certain suppliers after 31 August 2019, and the Group's future capital expenditure in respect of its non-cancellable capital commitments.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs and new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The additions and amendments to the HKFRSs and the interpretation of which have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and disclosures as described below.

The application of these additions and amendments to the HKFRSs and the interpretation of which in the current period has no significant financial effect on the financial position or performance of the Group set out in these consolidated financial statements except for those described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, i.e. 1 September 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 September 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 8 *Revenue*.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation(s) in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation(s) in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises revenue from the provision of education services. For the provision of education services, revenue, including tuition fee and boarding fee (each being single performance obligations), was recognised over the relevant period of schooling semesters, i.e. over the period of time.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Upon initial application of HKFRS 15, except for certain reclassification of financial statements line items as set out in the below table, there is no other impact on the presentation and measurement or classification on the Group's consolidated financial statements.

3.1.2 Summary of effect arising from initial application of HKIFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at 1 September 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported as at 31 August 2018**	**Re-classification**	**Carrying amounts under HKFRS 15 as at 1 September 2018**
		RMB'000	*RMB'000*	*RMB'000*
CURRENT LIABILITIES				
Deferred revenue	*(i)*	280,481	(280,481)	–
Contract liabilities	*(i)*	–	280,481	280,481

Note:

i. At the date of initial application, the total deferred revenue of approximately RMB280,481,000 related to the consideration received from the students of schools in advance for the provision of education services. The balance was re-classified to "contract liabilities" upon application of HKFRS 15.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 August 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
CURRENT LIABILITIES			
Deferred revenue	–	350,837	350,837
Contract liabilities	350,837	(350,837)	–

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("**ECL**") for financial assets; and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at the date of initial application, i.e. 1 September 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. The difference between carrying amounts as at 31 August 2018 and the carrying amounts as at 1 September 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**").

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All recognised financial assets that are within the scope of HKFRS 9 (including other receivables, amounts due from related companies, bank balance and cash) are subsequently measured at amortised costs.

The Directors reviewed and assessed the Group's financial assets as at 1 September 2018 based on the facts and circumstances that existed at that date and considered that there is no changes in classification and measurement of the Group's financial assets.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including other receivables, amounts due from related companies, bank balance and cash. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group measures the loss allowance equal to 12m ECL for all the financial assets, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history); (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers that default has occurred when the instrument is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 September 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9. No additional impairment loss is recognised as at 1 September 2018.

4. REVENUE AND SEGMENT INFORMATION

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

The Group's revenue represents service income comprising tuition fees and boarding fees.

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 Pengzhou 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 reportable segment is as follows:

	Preschool Education	**Degree Education**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 August 2019			
Tuition fees	**53,514**	**275,190**	**328,704**
Boarding fees	**–**	**9,315**	**9,315**
Total	**53,514**	**284,505**	**338,019**
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

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 both years.

5. OTHER INCOME (EXPENSES)

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Ancillary services income *(Note i)*	**43,374**	35,806
Less: relevant expenses *(Note i)*	**(43,374)**	(35,806)
Long-aged creditors waived	**3,357**	2,511
Interest income from banks	**2,932**	1,020
Release of asset-related government grants *(Note 25)*	**1,134**	548
Other government grants	**228**	–
Start-up expenses relating to new schools *(Note ii)*	**(343)**	(6,835)
Imputed interest income from advances to related companies	**–**	3,323
Imputed interest income from advances to directors	**–**	3,311
Others, net	**21**	(177)
	7,329	3,701

Notes:

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

ii. The amount represents start-up expenses for newly established schools for which schooling services have not been commenced at the end of the reporting period.

6. FINANCE COSTS

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**6,549**	944
Obligation under finance leases	**–**	53
	6,549	997

7. INCOME TAX EXPENSES

The Company and Bojun Investment (as defined in Note 32) are incorporated in the Cayman Islands and 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.

The Rules on Private Schools in the PRC applicable to the Group were amended and became effective from 1 September 2017 ("**Amendment to Rules on Private Schools**"), under which school sponsors of private schools may choose to establish for-profit or not-for-profit private schools (with the exception that schools providing compulsory education can only be established as not-for-profit entities) and will no longer be required to indicate whether they pursue for reasonable returns or not. Up to 31 August 2019, as advised by the Group's PRC legal advisor, specific rules for the registration of existing private schools as for-profit or not-for-profit schools have not been set out nor has any detailed guideline been further promulgated by local governmental authorities. In addition to the aforesaid matter, there are still uncertainties involved in interpreting and implementing the Amendment to Rules on Private Schools, such as (i) when should the Group notify the relevant authorities regarding the decision for private schools to be for-profit or not-for-profit school; (ii) specific procedures to be completed for an existing private school to be registered as for-profit school or not-for-profit school; (iii) the respective preferential tax treatments that may be enjoyed by a for-profit school and a not-for-profit school, etc.

Further implementation of the Amendment to Rules on Private Schools in Sichuan Province, 四川省人民政府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 ("**2018 September Sichuan Implementing Guidance**") was promulgated in September 2018. Pursuant to the 2018 September Sichuan Implementing Guidance, among others, the not-for-profit private schools are eligible to exempt from income tax on the qualified income upon completion of registration as not-for-profit organisation. Up to the date of approval of the consolidated financial statements for the year ended 31 August 2019, specific rules for the registration of existing schools providing degree education services as not-for-profit schools had not been set out under the 2018 September Sichuan Implementing Guidance nor any detailed guideline had been further promulgated by local governmental authorities.

The schools operated by the Group have been registered as non-enterprise institution (民辦非企業單位) and were regarded as not-for-profit organisations according to the local department of civil affairs during the course of the interview for the requirements for qualification for and the registration of the schools as not-for-profit private schools conducted. Accordingly, no PRC EIT was recognised for the tuition and boarding fees income from the Degree Education whereas the non-taxable tuition related income, including tuition and boarding fees, amounted to RMB174,478,000 for the year ended 31 August 2018.

During the year ended 31 August 2019, further to the clarification made by local tax authority in relation to the 2018 September Sichuan Implementing Guidance, private schools which have not completed the registration as not-for-profit organisation are not exempted from the PRC EIT and are subject to the PRC EIT of 25%. An amount of RMB14,765,000 of income tax has been recognised for Degree Education in the current year, of which RMB2,252,000 was for the period from 1 January 2018 to 31 August 2018 following the new information became available to the Group and is accounted for as change in accounting estimate.

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 about enhancing the Western Region Development Strategy, all preschools registered with the local tax authority are eligible to the reduced 15% PRC EIT rate effective from 1 January 2015.

Pursuant to the PRC Income Tax Law and the respective regulations, the other 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	
	2019	2018
	RMB'000	*RMB'000*
Tax expense comprises:		
PRC EIT	**22,249**	12,354
Deferred tax *(Note 17)*	**(5,816)**	(10,538)
	16,433	1,816

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	
	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**45,374**	17,124
Tax at applicable tax rate of 25%	**11,344**	4,281
Effect of tax losses not recognised	**9,271**	5,563
Under provision in respect of prior years	**2,252**	–
Tax effect of expenses not deductible for tax purpose	**800**	825
Tax effect of income not taxable for tax purpose	**(3,240)**	–
Effect of tax concessions and partial tax exemption	**(1,083)**	(6,166)
Utilisation of tax losses previously not recognised	**(2,898)**	(2,687)
Effect of different tax rates of other jurisdiction	**(13)**	–
Taxation for the year	**16,433**	1,816

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Directors' and chief executive's remuneration	**1,456**	980
Other staff costs		
– Salaries and other benefits	**166,171**	96,745
– Staff welfare	**10,734**	13,598
– Retirement benefit schemes		
– defined contributions benefits	**12,336**	8,724
– defined benefits	**877**	991
Total staff costs	**191,574**	121,038
Royalty fee (included in "**costs of services**")	**14,511**	11,727
Depreciation of property, plant and equipment	**29,737**	20,530
Release of prepaid lease payments	**3,878**	2,206
Auditor's remuneration	**1,868**	1,388

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Deposits	**25,084**	25,321
Receivable from a constructor *(Note i)*	**61,598**	–
Prepayments	**15,710**	10,195
Loan to a non-controlling shareholder of a subsidiary *(Note ii)*	**8,000**	8,000
Receivable from a third-party platform *(Note iii)*	**6,409**	–
Advances to staffs	**4,524**	2,439
Other receivables	**13**	12
Others	**175**	47
Total	**121,513**	46,014
Less:		
Deposit present under non-current asset		
– deposits for establishment of new school campus *(Note iv)*	**(10,145)**	(6,761)
– deposits for acquisition of a parcel of land *(Note v)*	**(12,500)**	(12,500)
– other deposits	**(2,313)**	(5,697)
	(24,958)	(24,958)
Presented under current assets	**96,555**	21,056

Notes:

i. The balance represents the excessive payment to a third-party constructor who provided services to Nanjiang School, being the difference between the advance payment to the constructor according to the contractual terms and total costs borne by the Group for services being received immediately prior to the cessation occurred during the year ended 31 August 2019. The balance is non-interest bearing and unsecured. The directors of the Company except that the outstanding balances will be fully recovered before 31 August 2020.

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

iii. The balance represents the temporary unsettled bank payments for tuition and boarding fees collected through a third-party platform amounting to RMB6,409,000, which have been settled in September 2019.

iv. The balance represents the non-interest bearing deposits placed to local government authorities for the purpose of establishment of new school campus amounting to RMB10,145,000 (2018: RMB6,761,000).

v. The balance represents the 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 amounting to RMB12,500,000 (2018: RMB12,500,000).

10. OTHER PAYABLES AND ACCRUALS

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Payables for property, plant and equipment	**229,389**	138,306
Miscellaneous expenses received from students *(Note i)*	**63,396**	45,734
Royalty fees payable	**50,985**	37,364
Payroll payable	**19,702**	12,209
Accrued expenses	**8,198**	6,184
Other tax payable	**1,226**	990
Advance from a third party *(Note ii)*	**–**	20,000
Others	**4,294**	6,929
	377,190	267,716

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 was non-trade in nature, unsecured, non-interest bearing and was fully settled during the year ended 31 August 2019.

11. BORROWINGS

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Unsecured bank borrowings with corporate guarantee *(Note)*	**110,000**	60,000
Unsecured and unguaranteed bank borrowings	**30,000**	–
Analyzed as:		
Carrying amount repayable within one year	**140,000**	60,000

The ranges of effective interest rates on the Group's borrowings are as follows:

	2019	2018
Variable-rate borrowings	**China lending benchmark interest rate + 11% to 40%**	China lending benchmark interest rate + 40%

Note: The borrowings are guaranteed by Chengdu Bojun and Chengdu Mingxian respectively.

12. DEFERRED INCOME

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Amounts recognised in profit or loss during the year:		
Subsidies related to assets *(Note)*	**(1,134)**	(548)

The movement of deferred income is as follows:

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**42,152**	–
Receipt of subsidies related to assets *(Note)*	**24,400**	42,700
Amount credited to profit or loss during the year	**(1,134)**	(548)
At the end of the year	**65,418**	42,152

Note: The Group received government subsidies 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.

13. 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:

Rental expenses incurred

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Chengdu Hengyu Industrial Company Limited* (成都恒宇實業有限公司) ("**Chengdu Hengyu**")	**196**	196

The future minimum rental payable to Chengdu Hengyu under non-cancellable lease amounted to RMB173,000 (2018: RMB196,000), payable within one year.

* The English name is for identification only.

14. DIVIDENDS

No dividend has paid or declared by the Company for the years ended 31 August 2018 and 2019, nor has any dividend been proposed subsequent to 31 August 2019.

15. EARNINGS PER SHARE

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

	Year ended 31 August	
	2019	2018
Earnings		
Profit for the year attributable to the owners of the Company *(RMB'000)*	**26,540**	16,678
Number of share		
Weighted average number of ordinary shares issued *('000)*	**822,584**	617,792

The weighted average number of ordinary shares for the year ended 31 August 2019 for the purpose of calculating basic earnings per share has been adjusted for the fact that repurchase of ordinary shares during the year. No diluted earnings per share for the year ended 31 August 2019 was presented as there were no potential dilutive shares in issue during the reporting period.

The weighted average number of ordinary shares for the year ended 31 August 2018 for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue (as defined in Note 26) had been effective on 1 September 2016. The computation of diluted earnings per share for the year ended 31 August 2018 did not assume the exercise of the over-allotment option granted by the Company in relation to the Global Offering (as defined in the prospectus of the Company dated 19 July 2018) because the exercise price of the over-allotment option was higher than the average market price for the Company's shares during the exercisable period of the over-allotment option.

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 2019 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 People's Republic of China (the "**PRC**") fundamental education includes preschool, compulsory school, middle school and high school education. In the recent decade, the demand and supply of fundamental education was perennially tight. Quality education resources are scarce. In the reform of new Gaokao, demand of parents towards quality featured education increased. Looking forward, followed by the increasing comprehensive national power of the PRC and enhancing standard of living, private education will be quality and feature-oriented and become an important force for "establishing education that satisfy people". The population in Sichuan Province is large and has been one of the largest fundamental private education markets in terms of total number of students. The Group is committed to provide quality private fundamental education to Sichuan Province.

BUSINESS REVIEW

Our Schools

We are a leading private education service group in Chengdu, Sichuan Province, the PRC. In the 2018/2019 school year, we operated (i) one middle and high school, two middle schools, one primary and middle school and six kindergartens in Chengdu, Sichuan Province, (ii) one primary and middle school in Nanjiang County (南江縣) of Bazhong City (巴中市), Sichuan Province, (iii) one primary and middle school in Wangcang County (旺蒼縣) of Guangyuan City (廣元市), Sichuan Province and (iv) one primary and middle school in Lezhi County (樂至縣) of Ziyang City (資陽市), Sichuan Province, which commenced operation in September 2019.

Our Students

As at 1 September 2018, the Group had an enrolment of 10,173 students, including 1,287 preschool students and 8,886 intake of students from grades 1 to 12.

Our Objectives in Education

We adhere to our philosophy of "Combination of Chinese and Western, Arts and Science". Through customized curriculum design, we implement the "one student, one timetable" program model. By offering them with vibrant learning opportunities, we aim to provide all-round education services to our students and nurture them to excel not only in academics, but also other achievements. We believe the success of our education services have developed our students' skills in communication, creativity and collaboration, thereby helping them to achieve academic excellence and other achievements.

Education Services and Academic Performance

The core educational curriculum of our primary schools, middle schools 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 in 2019, approximately 92.80% (2018: 91.7%) of our middle-school graduates who participated in such examinations scored well enough for intake by first-tier high schools in Chengdu. At the Gaokao in 2019, 99.30% of our high school graduates were admitted to universities (this is the first batch of graduates), with 94.8% of them admitted to the key universities.

In addition to standard educational curriculum, we also provide a variety of extracurricular activities for our primary school, 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. In 2018, we have built piano room, Chinese culture studies room, technology room, calligraphy room, art room, tea art room and psychological consultation room in every school.

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 2018, we had an aggregate enrollment of 10,173 students, including 1,287 students at the kindergartens, 1,190 primary school students, 7,126 middle school students and 570 high school students. The following table sets forth information relating to the student enrollment of our schools as of the dates indicated:

School	**Student Enrollment As at 1 September**	
	2018	**2017**
Chengdu Jinjiang District No. 1 Experimental Middle School Attached to Sichuan Normal University (成都市錦江區四川師大附屬第一實驗中學) ("**Jinjiang School**")*		
Middle school	3,055	2,885
Chengdu Longquanyi District No. 1 Experimental Middle School Attached to Sichuan Normal University (成都市龍泉驛區四川師大附屬第一實驗中學) ("**Longquan School**")*		
High school	570	330
Middle school	1,537	993
Chengdu New Tianfu District No. 1 Experimental Middle School Attached to Sichuan Normal University (成都市天府新區四川師大附屬第一實驗中學) ("**Tianfu School**")*		
Middle school	1,635	903
Wangcang Bojun School (旺蒼博駿公學) ("**Wangcang Bojun School**")*		
Primary school	288	–
Middle school	124	–
Nanjiang Bojun School (南江博駿學校) ("**Nanjiang Bojun School**")*		
Primary school	235	–
Middle school	83	–
Pengzhou Bojun School (彭州市博駿學校) ("**Pengzhou Bojun School**")*		
Primary school	667	–
Middle school	312	–
Sub-total (Primary schools, middle schools and high schools)	8,886	5,655

School	Student Enrollment As at 1 September	
	2018	**2017**
Chengdu Youshi Experimental Kindergarten (成都幼師實驗幼兒園) ("**Youshi Kindergarten**")*	219	321
Chengdu Youshi Lidu Experimental Kindergarten (成都幼師麗都實驗幼兒園) ("**Lidu Kindergarten**")*	285	303
Chengdu Youshi Longquan Dongshan Experimental Kindergarten (成都幼師龍泉東山實驗幼兒園) ("**Longquan Kindergarten**")*	165	241
Chengdu High and New District Youshi Peninsula City Center Kindergarten (成都高新區幼獅半島城邦幼兒園) ("**Peninsula Kindergarten**")*	269	278
Chengdu Youshi Riverside Impression Experimental Kindergarten (成都幼師河濱印象實驗幼兒園) ("**Riverside Kindergarten**")*	102	146
Chengdu Qingyang Youshi Jingjie Experimental Kindergarten (成都青羊幼師境界實驗幼兒園) ("**Qingyang Kindergarten**")*	247	267
Sub-total (Kindergartens)	1,287	1,556
Total	10,173	7,211

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 2018, we had 841 teachers. Approximately 98.21% of our primary school, middle school and high school teachers held a bachelor's degree or above, while approximately 20.89% 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	
	2018	2017
Jinjiang School	194	192
Longquan School	211	170
Tianfu School	129	82
Pengzhou Bojun School	98	–
Nanjiang Bojun School	44	–
Wangcang Bojun School	47	–
Youshi Kindergarten	18	24
Lidu Kindergarten	27	29
Longquan Kindergarten	16	27
Peninsula Kindergarten	23	22
Riverside Kindergarten	11	13
Qingyang Kindergarten	23	21
Total	841	580

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	
	2018	2017
Jinjiang School	1:15.7	1:15.0
Longquan School		
—High school	1:11.4	1:9.2
—Middle school	1:11.9	1:11.5
Tianfu School	1:12.7	1:8.7
Wangcang Bojun School		
—Middle school	1:4.6	–
—Primary school	1:14.4	–
Nanjiang Bojun School		
—Middle school	1:6.5	–
—Primary school	1:13.8	
Pengzhou Bojun School		
—Middle school	1:6.5	–
—Primary school	1:13.3	–
Youshi Kindergarten	1:12.2	1:13.4
Lidu Kindergarten	1:10.5	1:11.3
Longquan Kindergarten	1:10.3	1:9.9
Peninsula Kindergarten	1:11.6	1:13.0
Riverside Kindergarten	1:9.3	1:13.7
Qingyang Kindergarten	1:10.7	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 as at 1 September of the year stated above.

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 2018 and 2019, (i) the teacher retention rates at our high school were approximately 94.1% and 90.16%, respectively, (ii) the teacher retention rates at our middle schools were approximately 93.2% and 94.82%, respectively, and (iii) the teacher retention rates at our kindergartens were approximately 66.2% and 79.86%[(1)], respectively. For the year ended 31 August 2019, the teacher retention rates at our primary school was approximately 92.7%. 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 2019 owing to planned adjustments to the number of new classes and intake of students for the new school year starting from September 2019. 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 2019 was duly affected.

Tuition and Boarding Fees

For our primary schools, middle schools and high schools, our tuition fees for the 2017/2018 school year and the 2018/2019 school year ranged from RMB28,000 to RMB43,400 per student per year. For boarding students, a boarding fee of RMB1,200 to RMB1,400 per student per school year was also charged. The tuition fees of our kindergartens for the 2017/2018 school year and the 2018/2019 school year ranged from RMB26,160 to RMB56,160 per student per school 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	**2018/2019 school year**	**2017/2018 school year**
Jinjiang School		
Middle school	**RMB33,200 – RMB34,800**	RMB28,000 – RMB33,200
Longquan School		
High school	**RMB33,200 – RMB34,800**	RMB33,200
Middle school	**RMB33,200 – RMB34,800**	RMB29,200 – RMB33,200
Tianfu School		
Middle school	**RMB33,200 – RMB34,800**	RMB33,200
Wangcang Bojun School		
Middle school	**RMB27,200**	–
Primary school	**RMB23,200**	–
Nanjiang Bojun School		
Middle school	**RMB27,200**	–
Primary school	**RMB23,200**	–
Pengzhou Bojun School		
Middle school	**RMB43,400**	–
Primary school	**RMB37,400**	–
Youshi Kindergarten	**RMB45,360 – RMB46,560**	RMB33,360 – RMB40,560
Lidu Kindergarten	**RMB44,160 – RMB45,360**	RMB38,160 – RMB45,360
Longquan Kindergarten	**RMB26,160 – RMB27,360**	RMB26,160 – RMB27,360
Peninsula Kindergarten	**RMB54,960 – RMB56,160**	RMB44,160 – RMB48,960
Riverside Kindergarten	**RMB45,360 – RMB46,560**	RMB34,560 – RMB41,760
Qingyang Kindergarten	**RMB47,760 – RMB48,960**	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] **(%)**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
High school	570	330	630	360	90.5	91.7
Middle school	7,126	5,325	7,155	5,762	99.6	92.4
Primary school	1,190	–	1,520	–	78.3	–
Kindergarten	1,287	1,556	1,865	1,865	69.0	83.4
Total	10,173	7,211	11,170	7,987	91.1	90.3

Notes:

(1) For our primary schools, our middle schools and high school, 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 of 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, the PRC. 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 September 2018, we established Nanjiang Bojun School with an estimated total student enrolment of approximately 3,200 students, after the school is operated at full capacity, by way of the acquisition of land use rights. Nanjiang Bojun School comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Nanjiang Bojun School commenced operation in September 2018 with initial intake of students from grades 1 (primary school) to 7 (middle school). The high school is expected to commence operation in September 2021.

   – In September 2018, we established Wangcang Bojun School with an estimated total student enrolment of approximately 4,000 students after the school is operated at full capacity, by way of the acquisition of land use rights. Wangcang Bojun School comprise a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Wangcang Bojun School commenced operation in September 2018 with initial intake of students from grades 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 agree to establish, by way of the acquisition of land use rights, Lezhi Bojun School* (樂至博駿公學) ("**Lezhi School**") with an estimated total student enrollment of approximately 3,200 students after acquisition of land use rights. Lezhi School comprises a primary school, a middle school and a high school operated in a "through-train" mode under the brand of "Bojun School". Lezhi School commenced operation in September 2019 with intake of students from grades 1 (primary school) to 7 (middle school) and grade 1 of high school. The high school is expected to commence in 2020.

– On 7 August 2018, Chengdu Mingxian Education Investment Company Limited* (成都銘賢教育投資有限公司) ("**Chengdu Mingxian**"), an consolidated affiliated entity of the Company, entered into an educational project investment agreement with the local government of Zhongjiang County (中江縣) of Ziyang City (德陽市) ("**Zhongjiang Project**"), pursuant to which we establish Zhongjiang School by way of acquisition of land use right.

  On 7 August 2019, Chengdu Mingxian and the local government of Zhongjiang County (中江縣) of Ziyang City (德陽市) agreed to terminate the Zhongjiang project after having considered, among others, the adjustment in business strategies of the Group, the recent development in government policy in the education industry and other business plans of the Group. Chengdu Mingxian and the local government of Zhongjiang County (中江縣) of Ziyang City (德陽市) did not make any claim for the termination of Zhongjiang project. Zhongjiang project has not entered into any critical stage and the construction of school has not commenced. The Group has not incurred any capital expenditure for the Zhongjiang project. The termination of Zhongjiang project will have no material adverse impact on the Group's existing business operation and financial condition. For further information, please refer to the announcement of the Company dated 18 November 2019.

– 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 High and New District Bojun School* (內江高新區博駿公學學校) ("**Neijiang School**") in Neijiang High and New Technology Zone, Sichuan Province with an estimated total student enrolment 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 2021 with intake of students for the primary school and grade 7 (middle school). The high school is expected to commence operation in September 2023.

– In November 2019, we entered into an equity interest transfer intention agreement with Sichuan Jiuzhou Taoyuanli Eco-tourism Development Limited* (四川九洲桃源裏生態旅遊開發有限公司). After signing the formal equity interest acquisition agreement, we will acquire 100% equity interest of such company. Upon completion of the equity interest transfer, we will conduct planning on the 4th Division, Shuangquan Village, Wan'an Town, Chengdu (成都市萬安鎮雙泉村四組), the assets under such company with an area of 4,645.9 square metres, and operate it in order to expand the campus of Chengdu New Tianfu District No.1 Experimental School Attached to Sichuan Normal University (成都市天府新區四川師大附屬第一實驗中學).

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 September 2017, we jointly entered into a cooperation agreement with an independent third party (the "**School Investor**") in connection with the establisher of Pengzhou Bojun School comprising a primary school, a middle school and a high school with a total enrollment of not less than 4,000 students. The school would comprise a primary school, a middle school and a high school. Chengdu Mingxian and the School Investor would act as the joint school sponsors of Pengzhou Bojun School and would own 51% and 49% sponsor interests, respectively. Pengzhou 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 September 2018, we jointly expanded campus and school premises of Tianfu School with 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. We will also start a high school section at the school and the new high school section is expected to commence on 1 September 2020 subject to approval by and registration with relevant PRC authorities.

- 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 to 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 to 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.

  As at the date of this announcement, the selection of location of US School is still in progress and expected completion date.

The following table provides a summary of the estimated capacities of the new school premises to be opened in September 2020 and 2021.

School premises	**Date of commencement**[(1)]	**Estimated capacities for students**
Tianfu School (High School Section)	September 2020	1,500
Neijiang School	September 2021	4,000
Total		**5,500**

Note:

1. The commencement of schools is subject to among other things, successful acquisition of land (where applicable), approval by and registration with relevant authorities and the progress of construction work. Therefore, the aforesaid new schools may or may not commence 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 1 September 2019 and their estimated capacity:

School premises	Student at school as at 1 September 2019	Expected capacity for students
Jinjiang School	3,198	3,300
Longquan School	2,815	3,500
Tianfu School	1,655	3,500
Wangcang Bojun School*	646	4,000
Nanjiang Bojun School*	628	3,200
Pengzhou Bojun School*	1,405	4,000
Leizhi School**	452	3,200
Affiliated kindergartens***	1,283	1,865
Total	**12,082**	**26,565**

*: New schools opened in September 2018.

**: New schools opened in September 2019.

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

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

Leveraging on over 17 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 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.

As 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 15.83% of the Group's revenue for the year ended 31 August 2019 and approximately 10.62% of the Group's total number of students enrolled as at 1 September 2019. The Board will closely monitor the implementation of the Opinion and comply with the Opinion and seek further advice from our PRC legal advisor on the relevant implementation regulations in a timely manner.

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.

(iv) On 15 March 2019, the National People's Congress passed and announced the "Foreign Investment Law of the People's Republic of China" (the "**Foreign Investment Law**"). The Foreign Investment Law will be effective and implemented on 1 January 2020. The Foreign Investment Foreign Investment Law defined the investment activities carried out in the PRC directly or indirectly by foreign investors and listed the scenarios which should be identified as foreign investments. Meanwhile, the law prescribes the application of pre-establishment national treatment and management system of negative list on foreign investment before granting permission to market access. The negative list for market access of foreign investment limit the areas of foreign investment. When foreign investors carry out their investment, they should comply with the conditions required in the negative list. Areas not included in the negative list for foreign investment should be managed according to principles applicable for domestic and foreign investment. There are no specific inclusion of clauses related to "de facto control" or "contractual arrangement" in Foreign Investment Law. Nevertheless, we would not rule out the possibility of any further laws and regulations on this matter. Therefore, there are still uncertainties on whether the structure under the structured contracts will be included under the regulatory area of foreign investment, and if it is included under regulation and how it should be regulated. As of the date of this announcement, the operation of the Company was not affected by the Foreign Investment Law. The Company will closely monitor the Foreign Investment Law and the development of relevant laws and regulations.

The Company will continue to monitor developments of above Opinions 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 "**Listing Rules**") 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》), 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 recruit 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			
	2019	**Percentage of total**	2018	Percentage of total
	RMB'000	***%***	*RMB'000*	*%*
Tuition fees				
– Kindergartens	**53,514**	**15.83**	56,781	24.6
– Middle schools and high schools	**275,190**	**81.41**	169,151	73.1
Sub-total	**328,704**	**97.24**	225,932	97.7
Boarding fees	**9,315**	**2.76**	5,327	2.3
Total	**338,019**	**100.0**	231,259	100.0

Our revenue increased by approximately RMB106.7 million or 46.1% from approximately RMB231.3 million for the year ended 31 August 2018 to approximately RMB338.0 million for the year ended 31 August 2019. The increase was mainly attributable to the increased total student enrollment level.

Student enrollment level in our schools increased by approximately 41.1% from 7,211 as of 1 September 2017 to 10,173 as of 1 September 2018, mainly due to an increase in the number of students enrolled in our middle schools and high schools including Longquan School, Tianfu School, and newly commenced Nanjiang Bojun School, Wangcang Bojun School and Pengzhou Bojun 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 2018 and 2019, our costs of services represented approximately 73.3% and 73.5% 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	
	2019	2018
	RMB'000	*RMB'000*
Staff costs	**157,855**	98,115
Depreciation and amortization	**28,002**	19,850
Royalty fees	**14,511**	11,727
Rental and management fees	**19,578**	22,991
Office expenses	**13,958**	7,929
Repair and maintenance	**2,405**	1,077
Utilities expenses	**3,560**	2,229
Training expenses	**2,286**	2,242
Others	**6,109**	3,285
Total	**248,264**	169,445

Our costs of services increased by approximately RMB78.9 million or 46.5% from approximately RMB169.4 million for the year ended 31 August 2018 to approximately RMB248.30 million for the year ended 31 August 2019. 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, and the increase in number of students in the newly commenced Pengzhou Bojun School, Nanjiang Bojun School and Wangcang Bojun School 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 RMB59.8 million or 60.9% from approximately RMB98.1 million for the year ended 31 August 2018 to approximately RMB157.9 million for the year ended 31 August 2019, primarily because (i) the number of teachers increased from 580 as of 1 September 2017 to 841 as of 1 September 2018, in particular, the number of teachers increased from 444 as of 1 September 2017 to 534 as of 1 September 2018 for Jinjiang School, Longquan School and Tianfu School, and the number of newly hired teachers was 189 for the newly operated Pengzhou Bojun School, Nanjiang Bojun School and Wangcang Bojun School; and (ii) we offered more competitive remuneration packages to attract and retain high quality teachers during the year ended 31 August 2019.

(ii) depreciation and amortization expenses increased by approximately RMB8.1 million or 40.1% from approximately RMB19.9 million for the year ended 31 August 2018 to approximately RMB28.0 million for the year ended 31 August 2019, primarily due to the completion of the construction of and commencement of operation of Nanjiang School and Wangcang Bojun School.

(iii) Royalty fees increased by approximately RMB2.8 million or 23.9% from approximately RMB11.7 million for the year ended 31 August 2018 to approximately RMB14.5 million for the year ended 31 August 2019, 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) Teaching expenses amounted to approximately RMB14.5 million for the year ended 31 August 2019 incurred by opening of Nanjiang School, Wangcang School and Pengzhou Bojun School. There was no such expense in the previous year.

In addition, our costs of services such as society activities, book purchase expenses increased in line with the expansion in scale of the schools we operated.

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					
	2019			2018		
	Segment revenue *RMB'000*	**Gross profit** *RMB'000*	**Gross profit margin** %	Segment revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin %
Primary schools, middle schools and high schools	**284,505**	**74,045**	**26.0**	174,478	46,241	26.5
Kindergartens	**53,514**	**15,710**	**29.4**	56,781	15,573	27.4
Total	**338,019**	**89,755**	**26.6**	231,259	61,814	26.7

Gross profit margin of our primary schools middle schools and high schools increased from approximately 26.5% for the year ended 31 August 2018 to approximately 26.0% for the year ended 31 August 2019. The increase in gross profit margin was mainly because of (i) the joint school sponsor model for Pengzhou Bojun School which operated since 2018/2019 school year, as the school was not responsible for part of the rental of campus and thus lowering the cost of services of such school; the gross profit margin slightly increased after the offset by (i) the increase in depreciation and amortization for Nanjiang School and Wangcang School; and (ii) the increase in property rental expenses which Tianfu School incurred for short-term student external residence during the year ended 31 August 2019.

Gross profit margin of our kindergartens decreased from approximately 27.4% for the year ended 31 August 2018 to approximately 29.4% for the year ended 31 August 2019. The decrease was mainly attributable to the purchase of more advanced equipment for our kindergartens in order to adapt to market competition due to the general enhancement of quality of public kindergartens while maintaining our tuition fees.

Other income

Our other income primarily consists of (i) long-aged creditors waived (RMB3.4 million in 2019, RMB2.5 million in 2018); (ii) interest income from banks (RMB2.9 million in 2019, RMB1.0 million in 2018), and (iii) release of asset-related government grants (RMB1.1 million in 2019, RMB0.5 million in 2018).

Our other income increased by approximately RMB3.6 million or 97.3% from approximately RMB3.7 million for the year ended 31 August 2018 to approximately RMB7.3 million for the year ended 31 August 2019. Such increase was mainly attributable to (i) income from long-aged creditors waived, (ii) interest income from banks, and (iii) release of asset-related government grants, and the three school newly set up in 2018/2019 school year (namely Nanjinag Bojun School, Wangcang Bojun School and Pengzhou Bojun School) because decrease in start-up expense commenced into operation in this year.

Income/expenses incurred from non-operational activities

	For the year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Net exchange gain	**8,322**	589
Gain (Loss) arising on disposal of property, plant and equipment, net	**36**	(213)
Others	**115**	(271)
Total	**8,473**	105

Income incurred from non-operational activities increased by approximately RMB8.4 million or 7,969.5% from RMB0.1 million for the year ended 31 August 2018 to approximately RMB8.5 million for the year ended 31 August 2019, primarily due to increase in net exchange gain which accounted for 7,969.5%.

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 RMB23.7 million or 79.30% from approximately RMB29.9 million for the year ended 31 August 2018 to approximately RMB53.6 million for the year ended 31 August 2019, mainly attributable to the expansion of business scale of the Group, increase in number of administrative staff and increase in administrative and office expenses attributable to newly commenced schools (Nanjiang School, Wangcang School and Pengzhou Bojun School), expansion of Tianfu School and progress of new projects.

Finance costs

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

Our finance costs increased by approximately RMB5.5 million or 550.0% from approximately RMB1.0 million for the year ended 31 August 2018 to approximately RMB6.5 million for the year ended 31 August 2019, primarily attributable to the increase in bank borrowings for the year ended 31 August 2019.

Taxation

Our income tax expenses for the year ended 31 August 2018 and 2019 amounted to approximately RMB1.8 million and RMB16.4 million, respectively. The main reason of increase in income tax expenses for the year ended 31 August 2019 was due to the recognition of qualification and education income tax by the government in August 2019.

Profit for the year

Our profit for the year increased by approximately RMB13.6 million or 88.9% from approximately RMB15.3 million for the year ended 31 August 2018 to approximately RMB28.9 million for the year ended 31 August 2019, which primarily attributable to: (i) commencement of operation of Nanjiang Bojun School, Wangcang Bojun School and Pengzhou Bojun School, resulted in increase in revenue amounted to RMB106.7 million; (ii) increase in wavier of long-term payables, bank interest, government grants and other income amounted to RMB3.6 million; and (iii) increase in non-operating income including exchange loss and gain amounted to RMB8.3 million. Meanwhile, for the newly operated schools, (i) increase in staff remunerations and benefits, increase in property depreciation and amortization which resulted in increase in cost of services amounted to approximately RMB78.8 million, and (ii) administrative expenses increased by approximately RMB23.7 million, (iii) finance cost increased by RMB5.5 million; and (iv) income tax increased by RMB14.6 million. Net increase in profit for the year (after deduction) amounted to RMB13.6 million compared to 2018.

Contract liabilities/Deferred revenue

We record tuition fees and boarding fees collected initially as a liability under contract liabilities and recognize such amounts as revenue proportionately over the relevant period of the applicable program. Our contract liabilities increased by approximately RMB70.3 million or 25.06% from approximately RMB280.5 million as of 31 August 2018 to approximately RMB350.8 million as of 31 August 2019. The increase was primarily due to the increase in our student enrollment as a result of our school network expansion.

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 and redefined benefit obligations. 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	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**28,941**	15,308
Less:		
Imputed interest income from advances to related companies	**–**	(3,323)
Imputed interest income from advances to directors	**–**	(3,311)
Add:		
Listing expenses	**–**	17,620
Redefined benefit obligations	**57**	
Adjusted net profit	**28,998**	26,294

For the year ended 31 August 2019, our adjusted net profit amounted to RMB29.0 million, representing a increase of RMB2.7 million or 10.3% from RMB26.3 million as recorded for the year ended 31 August 2018, mainly attributable to the revenue increase due to the newly commenced schools.

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 RMB140.0 million as of 31 August 2019, all denominated in Renminbi. As of 31 August 2019, our short-term bank borrowings have a variable interest at 111% to 140% of the benchmark interest rate of the People's Bank of China. Our cash and cash equivalents amounted to approximately RMB607.1 million and RMB336.6 million as of 31 August 2018 and 2019, 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, 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 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 2019, 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	
	2019	2018
	RMB'000	*RMB'000*
Net cash from operating activities	**103,870**	126,931
Net cash (used in) investing activities	**(435,974)**	(359,813)
Net cash from (used in) financing activities	**51,650**	506,824
Net increase (decrease) in cash and cash equivalents	**(280,454)**	273,942
Cash and cash equivalents at the beginning of the year	**607,062**	332,531
Effect of exchange rate changes	**10,039**	589
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**336,647**	607,062

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	
	2019	2018
	RMB'000	*RMB'000*
Payment for property, plant and equipment	**(369,782)**	(327,855)
Payment for leasehold land	**(76,804)**	(82,586)
Prepayment made for property, plant and equipment	**(13,680)**	(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	
	2019	2018
	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	**82,682**	53,506

GEARING RATIO

Gearing ratio is calculated by dividing total debts (which equal to 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 7.40% as of 31 August 2018 to approximately 16.7% as of 31 August 2019, as the Group increased its bank borrowings to meet the requirement of capital expenditures during the year ended 31 August 2019.

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 2019 would have decreased/increased by approximately RMB120,000 (2018: RMB60,000).

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 the end of the reporting period, the book value of the monetary asset of the Group denominated in foreign currency were as follows:

	As at 31 August	
	2019	2018
	RMB'000	*RMB'000*
Bank balance – US$	**51**	56
Bank balance – HK$	**182,695**	436,370
	182,746	436,426

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

	For the year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Increase in post-tax profit	**9,115**	21,778

There would be an equal and opposite impact on the above post-tax results, should the US$ and 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 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

There were no material charges on the Group's assets as at 31 August 2019.

CONTINGENT LIABILITIES

As at 31 August 2019, the Group did not have any material contingent liabilities (31 August 2018: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 August 2019, 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 2019, 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 2019, 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	120.1	–
II. Establishing Wangcang School	28%	120.1	120.1	–
III. Establishing the high school section of Tianfu School	22%	94.4	94.4	–
IV. Establishing Pengzhou Bojun School	9%	38.6	38.6	–
V. Establishing Lezhi School	5%	21.4	21.4	–
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	416.0	12.9

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

SIGNIFICANT INVESTMENT HELD

As at 31 August 2019, the Group did not hold any significant investment.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 August 2019, 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

On 14 November 2019, Chengdu Mingxian entered into an agreement of intent indicating its intention to acquire the entire equity interest in Sichuan Jiuzhou Taoyuan Eco-Tourism Development Limited* (四川九洲桃源裡生態旅遊開發有限公司), a limited liability company established in the PRC and owned a parcel of land in Chengdu which could be used for expansion of the campus of Tianfu School. For further information, please refer to the announcement of the Company dated 18 November 2019.

Save as disclosed above, the Group had no material event after the end of the reporting period.

EMPLOYEE BENEFITS

As at 31 August 2019, the Group had approximately 1,709 employees (as at 31 August 2018: approximately 1,391). 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 2019, the annual staff costs (including directors' fees) amounted to approximately RMB191.6 million (2018: RMB121.0 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 2019, no share options were granted under the Share Option Scheme by the Company. In addition, as at 31 August 2019, 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 2019.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting (the "**AGM**") on Thursday, 16 January 2020. 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 Thursday, 16 January 2020, the register of members of the Company will be closed from Monday, 13 January 2020 to Thursday, 16 January 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 10 January 2020, for registration.

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

During the year ended 31 August 2019, the Company repurchased a total of 1,654,000 shares of the Company with total purchase price (net of expenses) of HK$2,106,540 on the Stock Exchange. Details of such share purchase are set out as follows:

Month of purchase	Number of purchased share	Highest price paid per share *(HK$)*	Lowest price paid per share *(HK$)*	Total purchase price (excluding expenses) *(HK$)*
March 2019	1,654,000	1.32	1.13	2,106,540

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 2018 to 31 August 2019.

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. 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 2019 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 2019 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 2019

As at the date of this announcement, the executive Directors are Mr. Xiong Tao, Mr. Ran Tao and Ms. Liao Rong; 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*