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## **Bojun Education Company Limited**

**博駿教育有限公司**

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

**(Stock Code: 1758)**

### **Interim Results Announcement For The Six Months Ended 28 February 2021**

<b>HIGHLIGHTS</b>				
	<b>As at</b>			
	<b>28 February 2021</b>	<b>29 February 2020</b>	<b>Change</b>	<b>Change Percentage</b>
Total number of students	<b>12,279</b>	11,985	+294	+2.5%
	<b>For the six months ended</b>			
	<b>28 February 2021</b>	<b>29 February 2020</b>	<b>Change</b>	<b>Change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>Percentage</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>		
Revenue	195,655	197,951	-2,296	-1.2%
Gross profit	41,743	43,927	-2,184	-5.0%
Profit for the period attributable to owners of the Company	4,586	7,779	-3,193	-41.1%
Profit for the period	5,104	11,150	-6,046	-54.2%
Basic earnings per Share (RMB cents)	0.56	0.95	-0.39	-41.1%

*Note:* The adjusted net profit, which is unaudited in nature, was presented because the Group's 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. There are no one-off or non-recurring items to be eliminated for the six months ended 28 February 2021. Thus, the information on adjusted net profit is not included in this announcement.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

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 unaudited condensed consolidated interim results of the Group for the six months ended 28 February 2021 (the “**Reporting Period**”).

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

		For the six months ended	
		28 February 2021	29 February 2020
	NOTES	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from provision of education services	4	195,655	197,951
Costs of services		(153,912)	(154,024)
Gross profit		41,743	43,927
Other income (expenses)	5	170	274
Other gains and (losses)	6	(125)	2,111
Gain (or loss) from changes in fair value	7	—	1,273
Administrative expenses		(26,522)	(27,973)
Finance costs	8	(9,691)	(4,967)
Profit before taxation	10	5,575	14,645
Income tax expenses	9	(471)	(3,495)
Profit for the period		5,104	11,150
<i>Other comprehensive income that will not be reclassified subsequently to profit or loss</i>			
— Remeasurement of defined benefit obligation		—	—
Total comprehensive income for the period		5,104	11,150
Profit for the period attributable to			
— owners of the Company		4,586	7,779
— non-controlling interests		518	3,371
		5,104	11,150
Total comprehensive income for the period attributable to			
— owners of the Company		4,586	7,779
— non-controlling interests		518	3,371
		5,104	11,150
Earnings per Share — Basic (RMB)	11	0.01	0.01

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 28 FEBRUARY 2021**

		<b>As at</b>	
		<b>28 February</b>	31 August
		<b>2021</b>	2020
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,364,991</b>	1,311,630
Right-of-use assets		<b>313,866</b>	322,863
Prepaid lease payments		<b>12,528</b>	–
Interest in associates		<b>17,480</b>	17,484
Deferred tax assets		<b>17,419</b>	16,919
Deposits	13	<b>97,464</b>	24,070
Prepayments for purchase of property, plant and equipment		<b>74,328</b>	50,000
		<b>1,898,076</b>	1,742,966
<b>CURRENT ASSETS</b>			
Prepaid lease payments		–	–
Other receivables, deposits and prepayments	13	<b>38,070</b>	34,038
Amounts due from related companies		<b>6,626</b>	2,625
Financial assets at fair value through profit or loss		–	–
Bank balances and cash		<b>187,858</b>	426,772
		<b>232,554</b>	463,435
<b>TOTAL ASSETS</b>		<b>2,130,550</b>	2,206,401
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	14	<b>380,542</b>	321,484
Contract liabilities	15	<b>207,962</b>	369,348
Lease liabilities		<b>7,364</b>	8,146
Borrowings	16	<b>122,000</b>	115,000
Income tax payable		<b>40,819</b>	40,507
		<b>758,687</b>	854,485
Net current (liabilities) assets		<b>(526,133)</b>	(391,050)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,371,943</b>	1,351,916

		<b>As at</b>	
		<b>28 February</b>	31 August
		<b>2021</b>	2020
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>118,265</b>	123,546
Borrowings	16	<b>319,500</b>	301,500
Defined benefit obligations		<b>4,856</b>	3,864
Deferred income	17	<b>68,888</b>	67,676
		<b>511,509</b>	496,586
<b>NET ASSETS</b>			
		<b>860,434</b>	855,330
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>7,138</b>	7,138
Reserves		<b>844,487</b>	839,901
Equity attributable to owners of the Company		<b>851,625</b>	847,039
Non-controlling interests		<b>8,809</b>	8,291
		<b>860,434</b>	855,330

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 28 FEBRUARY 2021

### 1. CORPORATE 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 (the "**Share(s)**") have been listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The registered office and principal place of business of the Company are located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and No. 288 Jinnan Road, Jinjiang District, Chengdu, Sichuan Province, the PRC, respectively. 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 People's Republic of China (the "**PRC**" or "**China**").

The functional currency of the Company is Renminbi ("**RMB**"), which is also the presentation currency of the consolidated financial statements.

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the "**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

As at 28 February 2021, the Group recorded net current liabilities of approximately RMB526.1 million (after excluding the non-payment of contract liabilities of approximately RMB208.0 million). In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The condensed consolidated financial statements have been prepared on a going concern basis because the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the next twelve months by taking into account the Group's cash flow projection, unutilised banking facilities and the Group's future capital expenditure under non-cancellable capital commitments.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on a historical cost basis, except for defined benefits obligations that are measured using projected unit credit method, and measured in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (the "**HKFRSs**").

Other than changes in accounting policies resulting from application of additions and amendments to the HKFRSs and an interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 August 2020.

## Application of additions and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following additions and amendments to the HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 September 2019 for the preparation of the Group's condensed consolidated financial statements:

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

## 4. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents service income comprising tuition fees and boarding fees. The nature and effect of initially applying HKFRS 15 on the Group's condensed consolidated financial statements are disclosed in Note 3. 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. All the contracts with customers are agreed at fixed price for a term no longer than twelve months. The revenue recognition of the period is six months during the Reporting Period. Tuition fees and boarding fees are generally paid in advance prior to the beginning of each school semester.

### Segment revenue and segment results

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 Chengdu Youshi Experimental Kindergarten\* (成都幼師實驗幼兒園) (the “**Youshi Kindergarten**”), Chengdu Youshi Lidu Experimental Kindergarten\* (成都幼師麗都實驗幼兒園) (the “**Lidu Kindergarten**”), Chengdu Youshi Riverside Impression Experimental Kindergarten\* (成都幼師河濱印象實驗幼兒園) (the “**Riverside Kindergarten**”), Chengdu Youshi Longquan Dongshan Experimental Kindergarten\* (成都幼師龍泉東山實驗幼兒園) (the “**Longquan Kindergarten**”), Chengdu Qingyang Youshi Jingjie Experimental Kindergarten\* (成都青羊幼師境界實驗幼兒園) (the “**Qingyang Kindergarten**”) and Chengdu High and New District Youshi Peninsula City Centre Kindergarten\* (成都高新區幼獅半島城邦幼兒園) (the “**Peninsula Kindergarten**”) (collectively referred to as “**Preschool Education**”), and the degree education provided by 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) (the “**Jinjiang School**”), 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) (the “**Longquan School**”), 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) (the “**Tianfu School**”), Nanjiang Bojun School\* (南江博駿學校) (the “**Nanjiang Bojun School**”), Wangcang Bojun School\* (旺蒼博駿公學) (the “**Wangcang Bojun School**”), Pengzhou City Bojun School\* (彭州市博駿學校) (being the Chengdu School as defined in the prospectus of the Company dated 19 July 2018) (the “**Pengzhou Bojun School**”), Lezhi Bojun School\* (樂至博駿公學學校) (the “**Lezhi Bojun 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 segments are the same as the Group's accounting policies described in Note 3.

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

	<b>Preschool Education RMB'000</b>	<b>Degree Education RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 28 February 2021</b>			
Tuition fees	<b>24,177</b>	<b>165,836</b>	<b>190,013</b>
Boarding fees	<b>—</b>	<b>5,642</b>	<b>5,642</b>
	<hr/>	<hr/>	<hr/>
Total (unaudited)	<b>24,177</b>	<b>171,478</b>	<b>195,655</b>
	<hr/>	<hr/>	<hr/>
<b>Six months ended 29 February 2020</b>			
Tuition fees	26,447	166,022	192,469
Boarding fees	—	5,482	5,482
	<hr/>	<hr/>	<hr/>
Total (unaudited)	26,447	171,504	197,951
	<hr/>	<hr/>	<hr/>

## 5. OTHER INCOME (EXPENSES)

	<b>Six months ended 28.2.2021 RMB'000 (unaudited)</b>	<b>29.2.2020 RMB'000 (unaudited)</b>
Interest income from banks	<b>170</b>	274
Imputed interest income from advances to Directors	—	—
Imputed interest income from advances to related companies	—	—
Amounts received for provision of ancillary services <sup>(i)</sup>	<b>23,591</b>	23,982
Less: relevant expenses	<b>(23,591)</b>	(23,982)
Others, net	<b>—</b>	—
	<hr/>	<hr/>
	<b>170</b>	274
	<hr/>	<hr/>

*Note:*

- i. Income from ancillary services represents the services provided at the on-campus canteens.

## 6. OTHER GAINS AND (LOSSES)

	Six months ended	
	28.2.2021	29.2.2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss arising on disposal of property, plant and equipment, net	(17)	–
Net exchange loss	–	2,118
Others	(108)	(7)
	<u>(125)</u>	<u>2,111</u>

## 7. GAIN AND (LOSS) FROM CHANGES IN FAIR VALUE

	Six months ended	
	28.2.2021	29.2.2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Financial assets at fair value credit to profit or loss account —		
Gain and (loss) from changes in fair value	–	1,273
	<u>–</u>	<u>1,273</u>

## 8. FINANCE COSTS

	Six months ended	
	28.2.2021	29.2.2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<i>Interest on:</i>		
Bank borrowings	8,730	4,734
Others	961	233
	<u>9,691</u>	<u>4,967</u>

## 9. INCOME TAX EXPENSES

The Company and Bojun Education Investment Holdings Company Limited (the “**Bojun Investment**”) are incorporated in the Cayman Islands and the British Virgin Islands respectively. Both jurisdictions are tax exempted.

No provision for Hong Kong Profits Tax has been made as the Group’s operation in Hong Kong had no assessable profit during the Reporting Period. Chengdu Tianfu Bojun Education Management Company Limited (the “**Chengdu Bojun**”) and USA Bojun Education, Inc. (the “**USA Bojun**”) had no assessable profit subject to the PRC Enterprise Income Tax (the “**PRC EIT**”) of 25% and corporate tax in the United States (the “**USA**”) respectively, since their establishment.



The Preschool Education is subject to the PRC EIT of 25%. According to announcement of the State Administration of Taxation on issues concerning the PRC EIT about enhancing the Western Region Development Strategy, all preschools registered with the local tax authority are eligible to the reduced 15% PRC EIT rate.

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

	<b>For the six months ended</b>	
	<b>28.2.2021</b>	29.2.2020
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Tax expense comprises:		
Current tax — PRC EIT	<b>471</b>	4,416
Deferred tax	<b>—</b>	(921)
	<b>471</b>	<b>3,495</b>

## 10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	<b>For the six months ended</b>	
	<b>28.2.2021</b>	29.2.2020
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Directors' and chief executive's remuneration	<b>1,625</b>	797
— Salaries and other benefits	<b>90,205</b>	87,219
— Staff welfare	<b>11,644</b>	15,346
— Retirement benefit schemes	<b>8,617</b>	—
— defined contributions benefits	<b>3,866</b>	12,066
— defined benefits	<b>1,636</b>	319
Total staff costs	<b>117,593</b>	115,747
Royalty fee (included in "costs of services")	<b>8,507</b>	14,280
Depreciation of property, plant and equipment	<b>20,025</b>	18,824
Release of prepaid lease payments	<b>3,890</b>	1,780
Auditor's remuneration	<b>1,324</b>	812
Rental and property management fees	<b>7,297</b>	7,965
Utilities and maintenance expenses	<b>6,119</b>	5,580

## 11. EARNINGS PER SHARE

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

	<b>For the six months ended</b>	
	<b>28.2.2021</b>	29.2.2020
	<b>(unaudited)</b>	(unaudited)
Profit for the period attributable to the owners of the Company (RMB'000)	<u>4,586</u>	<u>7,779</u>
Weighted average number of ordinary Shares issued ('000)	<u><b>821,856</b></u>	<u>822,575</u>

During the six months ended 28 February 2021 and 29 February 2020, no diluted earnings per Share was presented as there were no potential dilutive Shares outstanding.

## 12. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 28 February 2021, nor has any dividend been proposed subsequent to 28 February 2021.

## 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>As at</b>	
	<b>28.2.2021</b>	29.2.2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Deposits <sup>(i)</sup>	<b>97,464</b>	24,070
Prepayments	<b>16,259</b>	15,293
Loan to a non-controlling shareholder of a subsidiary <sup>(ii)</sup>	<b>19,769</b>	10,700
Advances to staff	–	5,843
Receivables	<b>2,039</b>	2,183
Others	<u><b>3</b></u>	<u>19</u>
Total	<u><b>135,534</b></u>	<u>58,108</u>
Less: deposits presented under non-current assets	<u><b>(97,464)</b></u>	<u>(24,070)</u>
Presented under current assets	<u><b>38,070</b></u>	<u>34,038</u>

Notes:

- As at 28 February 2021, the balance mainly represents the non-interesting bearing deposits placed to local government authorities for the purpose of establishment of a new school campus, as well as prepayments for the proposed subscription of equity interest by way of capital injection as detailed in the announcements of the Company dated 11 September 2020, 16 October 2020 and 11 January 2021 (the “**Capital Injection**”).
- The balance is non-interesting bearing, unsecured and without a fixed repayment term.

The remaining receivables will be settled within 12 months and there is no history of default.

#### 14. OTHER PAYABLES AND ACCRUALS

	As at	
	28.2.2021	29.2.2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Payables for property, plant and equipment	138,627	166,863
Miscellaneous expenses received from students <sup>(i)</sup>	100,758	71,942
Royalty fees payable	60,529	66,788
Payroll payable	1,917	7,270
Accrued expenses	–	7,262
Tax payable	311	69
Interest payable	1,285	808
Account payables for purchase of goods	12,581	–
Other payables	64,534	482
	<u>380,542</u>	<u>321,484</u>

*Note:*

- i. The amount represents miscellaneous expenses received from students which will be paid out on behalf of students or refunded to students for any excess.

Other payables are non-interest-bearing and have an average maturity of 12 months.

#### 15. CONTRACT LIABILITIES

	As at	
	28.2.2021	31.8.2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Tuition fees	202,370	357,135
Boarding fees	5,592	12,213
	<u>207,962</u>	<u>369,348</u>

The contractual liability represents the obligation of the Group to provide educational services to students, for which the Group has received an advance payment from the students, and the balance of which will be recognised within six months after fulfilment of the contractual obligation.

## 16. BORROWINGS

	As at <b>28.2.2021</b> <b>RMB'000</b> <b>(unaudited)</b>	31.8.2020 <b>RMB'000</b> <b>(audited)</b>
Unsecured bank borrowings with corporate guarantee <sup>(i)</sup>	<b>222,500</b>	147,500
Secured bank borrowings with corporate guarantee <sup>(i)</sup>	<b>160,000</b>	209,000
Unsecured and unguaranteed bank borrowings	–	–
Secured other borrowings with corporate guarantee	<b>59,000</b>	60,000
	<b>441,500</b>	416,500
<i>Analysed as:</i>		
Carrying amount repayable within one year	<b>122,000</b>	115,000
Carrying amount repayable within six years	<b>319,500</b>	–

*Note:*

- i. As at 28 February 2021 and 31 August 2020, the unsecured bank borrowings with corporate guarantee of approximately RMB122.0 million and RMB115.0 million, respective, bear variable interest at 110%-140% of the benchmark interest rate of the People's Bank of China, shall be repayable within one year after the end of the Reporting Period. At the same time, the unsecured long-term bank borrowings with corporate guarantee of approximately RMB319.5 million bear variable interest at 140% of the benchmark interest rate of the People's Bank of China, shall be repayable within six years after the end of the Reporting Period.

## 17. DEFERRED INCOME

The carrying amounts represents a government subsidy received for the compensation of capital expenditures incurred for the prepaid lease payment. The amount is deferred and amortised over the estimated useful lives of the respective assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Our Schools

We are a leading private education service group in Chengdu, Sichuan Province, the PRC, operating 13 schools in Sichuan Province. In the 2020/2021 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, middle and high school in Lezhi County (樂至縣) of Ziyang City (資陽市), Sichuan Province.

	Kindergartens	Primary school section	Middle school section	High school section
Jinjiang School			✓	
Longquan School			✓	✓
Tianfu School			✓	
Wangcang Bojun School		✓	✓	
Nanjiang Bojun School		✓	✓	
Pengzhou Bojun School		✓	✓	
Lezhi Bojun School		✓	✓	✓
Youshi Kindergarten	✓			
Lidu Kindergarten	✓			
Longquan Kindergarten	✓			
Peninsula Kindergarten	✓			
Riverside Kindergarten	✓			
Qingyang Kindergarten	✓			

## Our Students

As at 28 February 2021, we had an enrolment of 12,279 students, including 1,160 kindergarten students and 11,119 intake of students from grades 1 to 12.

### Number of students by school

	Student enrolment		Change	Change in percentage
	As at 28 February 2021	As at 29 February 2020		
Kindergartens	1,160	1,274	-114	-9.0%
Primary schools	2,029	1,943	+86	+4.4%
Middle schools	8,332	8,087	+245	+3.0%
High schools	758	681	+77	+11.3%
<b>Total</b>	<b>12,279</b>	<b>11,985</b>	<b>+294</b>	<b>+2.5%</b>

### Teachers and Teacher Recruitment

As at 28 February 2021, we had an aggregate of 996 teachers, including 114 kindergarten teachers, 163 primary school teachers, 644 middle school teachers and 75 high school teachers. The following table sets forth the comparative information relating to the number of teachers at our schools at different educational stages as at the dates indicated:

	Number of teachers		Change	Change in percentage
	As at 28 February 2021	As at 29 February 2020		
Kindergartens	114	111	+3	+2.7%
Primary schools	163	152	+11	+7.2%
Middle schools	644	644	+0	–
High schools	75	68	+7	+10.3%
<b>Total</b>	<b>996</b>	<b>975</b>	<b>+21</b>	<b>+2.2%</b>

*Note:* The number of teachers excludes teachers engaged in administrative duties only.

We manage our teacher-to-student ratio based on the level of our student enrolments, 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 programmes and services.

The following table sets forth the teacher-to-student ratio of our schools at different educational stages as at the dates indicated:

	<b>Teacher-to-student ratio</b>	
	<b>As at 28 February 2021</b>	<b>As at 29 February 2020</b>
Kindergartens	<b>1:10.18</b>	1:11.48
Primary schools	<b>1:12.45</b>	1:12.78
Middle schools	<b>1:12.94</b>	1:12.56
High schools	<b>1:10.11</b>	1:10.01

*Note:* Teachers herein excludes teachers engaged in administrative duties only. The teacher-to-student ratio is arrived at by dividing the student enrolment of a school by the number of teachers employed by such school.

### **Teacher Retention Rate**

In order to retain high-calibre teachers, we offer competitive remuneration package and our teachers are entitled to performance bonuses, which are based on their 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 being our middle and high school teachers, their children could enrol in our schools free of charge. We believe that we have maintained a good working relationship with our teachers and enjoyed a high retention rate.

For the six months ended 28 February 2021 and 29 February 2020, (i) the teacher retention rates at our high schools were approximately 97.4% and 100.0%, respectively, (ii) the teacher retention rates at our middle schools were approximately 97.6% and 96.7%, respectively, (iii) the teacher retention rates at our primary schools were approximately 97.6% and 93.8%, and (iv) the teacher retention rates at our kindergartens were approximately 92.1% and 88.8%, respectively.

The retention rate is calculated based on the total number of teachers at our schools at the beginning of a school year minus the total number of teachers who voluntarily resign from our schools during the corresponding period, divided by the total number of teachers at our schools at the beginning of a school year.

### **Tuition and Boarding Fees**

For primary, middle and high schools, our annual tuition fees for the 2020/2021 school year ranged from RMB22,000 to RMB42,000 per student. For boarding students, an annual boarding fee of RMB1,200 to RMB1,400 per student was also charged. The fees charged did not change when compared to the 2019/2020 school year. The annual tuition fees of the kindergartens for the 2020/2021 school year ranged from RMB26,160 to RMB56,160 per student. The fees charged did not change when compared to the 2019/2020 school year.

## School Capacity and Utilisation Rate

### Enrolment and Capacity

With the increase of state investment in the infrastructure of new public schools, we have increased allocation of funds in improving facilities of our schools to maintain our competitiveness.

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

	Capacity <sup>(2)</sup> and utilisation rate				School utilisation rate <sup>(3)</sup>	
	Enrolment <sup>(1)</sup>		Student capacity <sup>(2)</sup>			
	As at 28 February 2021	As at 29 February 2020	As at 28 February 2021	As at 29 February 2020	As at 28 February 2021	As at 29 February 2020
Kindergartens	758	681	850	810	89.2%	84.1%
Primary schools	8,332	8,087	8,450	8,235	98.6%	98.2%
Middle schools	2,029	1,943	2,950	2,220	68.8%	87.5%
High schools	1,160	1,274	1,865	1,865	62.2%	68.3%
<b>Total</b>	<b>12,279</b>	<b>11,985</b>	<b>14,115</b>	<b>13,130</b>	<b>87.0%</b>	<b>91.3%</b>

Notes:

- (1) The student enrolment information is based on the internal records of our schools.
- (2) For our primary schools, middle schools and high schools, the capacity is calculated based on the number of classrooms (excluding special-purpose rooms) in each school and the number of students that each classroom can accommodate or the capacity of the student dormitories. 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.
- (3) The school utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school.



## OUTLOOK

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

With the increase in household income of the PRC residents and the improved education level of parents of the younger generation, parents now have a greater demand for quality education resources, and the proportion of education expenditure in the overall household expenditure has steadily increased. As the One-Child Policy has been relaxed and the Two-Child Policy was fully implemented in 2016 by the PRC government, there will be an ongoing increase in demand for fundamental education in the future. These factors will help our schools recruit more students and raise service price in due course. In recent years, private schools in Sichuan Province and Chengdu have continued to improve their teaching quality and quality education, which will attract more parents to enrol their children in private schools. With the good reputation of our schools, the Group is optimistic about the opportunities brought by the strong demand for quality private education in Southwest China.

### OUR BUSINESS DEVELOPMENT STRATEGIES AND PLANS

Our aim is to maintain and consolidate our leading position in the private education market in Sichuan Province. We will expand our school network and increase our student capacity through the following development strategies.

#### (a) Establish new schools or new school premises to expand our school network

- 1) Establishment of light-asset schools: We establish new schools through cooperation with third-party business partners.
  - In January 2018, USA Bojun 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 a for-profit private international school in the Los Angeles area offering education for grades 7 to 12 (the “**US School**”). 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 purchase of facilities and will be involved in the planning of teaching programmes 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. Due to impact of the COVID-19 and adjustment to the Group’s development strategy, our commencement plan of schools in the USA may be suspended, and we will make further announcement as and when appropriate.

- 2) Expand the capacity of existing school premises: We construct new school premises near or inside our existing campus.

- Chengdu Mingxian entered into an agreement of intent on 14 November 2019 and an acquisition agreement on 13 April 2020 with Sichuan Jiuzhou Taoyuan Eco-tourism Development Limited\* (四川九洲桃源里生態旅遊開發有限公司) (the “**Taoyuan Company**”) and Zhang Dequan\* (張德全), Xiang Shoucheng\* (向守程), Chen Song\* (陳松), Hu Jianguo\* (胡建國), Li Chao\* (李超) and Yang Jinzhong\* (楊進忠) in relation to the acquisition of the entire equity interest of the Taoyuan Company. For details please refer to the announcements of the Company dated 18 November 2019 and 28 April 2020. Pursuant to which, we have acquired 100% equity interest in the Taoyuan Company upon completion of the equity transfer at a total consideration of RMB21.8 million in August 2020. After completion of the acquisition, we have obtained a land located at the 4th Division, Shuangquan Village, Wan'an Town, Chengdu City (成都市萬安鎮雙泉村四組) of an area of 4,645.9 square metres for the expansion of the campus of Tianfu School and operation of primary school and high school.

In March 2021, the new primary school section and high school section of Tianfu School have obtained school operation permits and the construction of the infrastructure of the new sections will be completed on schedule. The primary school and high school will commence schooling on 1 September 2021 and can increase the Tianfu School's capacity by 2,000 students.

- Immediately prior to the date of this announcement, the new primary school section of Jinjiang School has obtained a school operation permit and the expansion and renovation of the primary school section has been substantially completed. It is expected that the primary school section will commence schooling in September 2021. In the future, Jinjiang School will cut down the capacity of junior high school section to meet the capacity requirement of primary school section, without having to make significant change to its total capacity.

The following table provides a summary of the estimated capacities of the new school premises to commence operation in September 2021:

School premises	Date of commencement <sup>(1)</sup>	Estimated capacities for students
Tianfu School (Primary school and high school)	September 2021	<u><u>2,000</u></u>

*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 be opened according to our plans.

**(b) Increase the student enrolment at our existing schools**

We intend to continuously increase the student enrolment 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 enrol more students at such schools.

The following table provides a summary of enrolment of our schools in operation as at 28 February 2021 and their estimated capacity:

<b>School premises</b>	<b>Enrolment as at 28 February 2021</b>	<b>Estimated capacity</b>
Jinjiang School	<b>3,087</b>	3,200
Longquan School	<b>2,802</b>	3,500
Tianfu School	<b>1,703</b>	3,750
Nanjiang Bojun School <sup>(1)</sup>	<b>856</b>	3,200
Wangcang Bojun School <sup>(1)</sup>	<b>780</b>	4,000
Pengzhou Bojun School <sup>(1)</sup>	<b>1,122</b>	4,000
Lezhi Bojun School <sup>(2)</sup>	<b>769</b>	3,200
Kindergartens <sup>(3)</sup>	<b>1,160</b>	1,865
<b>Total</b>	<b>12,279</b>	<b>26,715</b>

*Notes:*

(1) New schools opened in September 2018.

(2) New school opened in September 2019.

(3) Including six kindergartens, namely, Youshi Kindergarten, Lidu Kindergarten, Riverside Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Peninsula Kindergarten.

**(c) Consistently provide high-quality education and maintain a strong, experienced and qualified teaching team**

We are of the view that the high-level of teaching quality is an important factor in attracting students. We recruit more experienced, outstanding and innovative teachers to improve the teaching level. We attach importance to the improvement of teachers' teaching skills, and organise regular training and competitions for improving their teaching skills; meanwhile, we also adopt the collective lesson preparation model to ensure the excellent and consistent teaching quality of the teaching team.

**(d) Enhance the brand influence of our schools to recruit more students**

We are of the view that increasing the brand influence of the First Middle School of Sichuan Normal University (師大一中) and Bojun School (博駿學校) in Sichuan Province will help us attract more students. The brand of First Middle School of Sichuan Normal University continues to maintain a good reputation in Chengdu. Bojun School, as a new brand founded by the Group, will share resources with schools under the First Middle School of Sichuan Normal University brand, so they can complement the advantages with one another, and build a good collaborative school model. It will help raise the brand awareness of Bojun School and attract more 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 and staff. The Group has onsite medical staff or health care personnel at each of our schools to deal with minor medical situations involving our students and staff. For certain serious emergency medical situations, we will promptly send our students to local hospitals for medical treatments. Regarding security at our schools, we have employed qualified property management companies to provide property security services at our school premises.

So far as the Board and the Company's management are aware of, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group's businesses and operations in all material aspects. There has been no material violation of or non-compliance with applicable laws and regulations by the Group during the Reporting Period.

**Latest Regulatory Developments**

- (i) The Implementation Rules for the Law for Promoting Private Education of the PRC (Draft for Review)\* (《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)》)

On 10 August 2018, the Ministry of Justice of the PRC published the Implementation Rules for the Law for Promoting Private Education of the PRC (Draft for Review) (the “**Draft**”) for consultation. Article 12 of the Draft provides that “prohibits those centrally operate their schools to control not-for-profit private schools by means of merger and acquisition, franchise chain, agreement control and other means”. “Control by agreement” referred to in such article brings uncertainties to the control of not-for-profit schools by contractual arrangements adopted by us.

- (ii) Implementation Opinions of Sichuan Provincial Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education\* (《四川省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》)

According to 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)) issued by Sichuan People's Government on 17 September 2018, "The school 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 been elected to be not-for-profit private schools shall complete relevant procedures by 1 September 2021." As at the date of this announcement, all the schools operated by us have been registered as not-for-profit private schools, and the schools have amended their articles of association, improved their corporate governance structure and internal management system in accordance with relevant regulations.

(iii) Certain Opinions on Deepening the Reform and Regulating the Development of Preschool Education\* (《關於學前教育深化改革規範發展的若干意見》)

On 15 November 2018, the Central Committee of the Communist Party of China and the State Council of the PRC jointly issued Certain Opinions on Deepening the Reform and Regulating the Development of Preschool Education\* (《關於學前教育深化改革規範發展的若干意見》) (the "**Reform Opinions**"). Pursuant to the Reform 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 12.3% of the Group's revenue for the six months ended 28 February 2021 and approximately 9.4% of the Group's total number of students enrolled as at 28 February 2021. The impact of the Reform Opinions and regulatory policies on the Group's operations and financial position is limited. The Company will closely monitor and seek legal advice on the Reform Opinions in due course, and will take all reasonable measures to comply with the Reform Opinions as it may be advised.

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

On 15 March 2019, the National People's Congress passed and announced the "Foreign Investment Law of the PRC" (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which became effective on 1 January 2020. The Foreign Investment Law defined the investment activities carried out in the PRC directly or indirectly by foreign investors and listed four scenarios which should be identified as foreign investments. 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 the developments of the above opinions and the relevant laws and regulations, and will make further announcements in respect thereof in accordance with the requirements of 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》), the foreign investor in a sino-foreign joint venture private school must be a foreign educational institution which has acquired relevant qualifications and experience in a foreign country (the “**Qualification Requirement**”). As part of our effort to fulfil 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 USA Bojun as an operating entity in the United States. On 29 January 2018, we through USA Bojun, entered into a memorandum of understanding with the US Partner, an institution which has extensive experience in the provision of private education services in the US, 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 programmes 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) of the proceeds 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. Due to impact of the COVID-19 and adjustment to the Company’s development strategy, our commencement plan of school in the USA may be suspended. Further announcement will be made by the Company as and when appropriate.

The Group’s PRC legal adviser indicated to the Group that the relevant regulatory developments and guidance related to the Qualification Requirement have not changed as at the date of this announcement.



## FINANCIAL REVIEW

### Revenue

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

	For the six months ended			
	28 February 2021 <i>RMB'000</i> (unaudited)	Percentage of total revenue %	29 February 2020 <i>RMB'000</i> (unaudited)	Percentage of total revenue %
Tuition fees				
— Preschool Education	24,177	12.3	26,447	13.4
— Degree Education	165,836	84.8	166,022	83.9
Sub-total	190,013	97.1	192,469	97.3
Boarding fees	5,642	2.9	5,482	2.7
<b>Total</b>	<b>195,655</b>	<b>100.00</b>	<b>197,951</b>	<b>100.0</b>

Our revenue decreased by approximately RMB2.3 million or 1.2% from approximately RMB198.0 million for the six months ended 29 February 2020 to approximately RMB195.7 million for the six months ended 28 February 2021. The decrease was mainly attributable to a decrease in income from tuition and boarding fees, as the increased student enrolment level of the Degree Education is insufficient to compensate for the decreased total student enrolment level of the Preschool Education.

Student enrolment level in our Preschool Education segment decreased by approximately 8.9% from 1,274 as at 29 February 2020 to 1,160 as at 28 February 2021, while the student enrolment level of our Degree Education segment increased by approximately 3.8% or 408 students from 10,711 as at 29 February 2020 to 11,119 as at 28 February 2021. However, as the tuition fee of our Degree Education segment is lower than that of our Preschool Education segment, the total income from tuition and boarding fees has decreased for the six months ended 28 February 2021 as compared to that in the corresponding period in 2020.

## Costs of services

Our costs of services primarily consist of staff costs, depreciation, cost of cooperative education, rental expenses and other costs. For the six months ended 29 February 2020 and 28 February 2021, our costs of services represented approximately 77.8% and 78.7% of our total revenue, respectively. The table below sets forth the breakdown of the major components of our costs of services for the periods indicated:

	<b>For the six months ended</b>	
	<b>28 February 2021 RMB'000 (unaudited)</b>	<b>29 February 2020 RMB'000 (unaudited)</b>
Staff costs	<b>104,778</b>	101,730
Depreciation of property, plant and equipment	<b>20,025</b>	18,824
Royalty fees	<b>8,507</b>	14,280
Rental and property management fees	<b>7,297</b>	7,965
Office expenses	<b>2,443</b>	1,928
Repair and maintenance	<b>2,954</b>	4,727
Utilities expenses	<b>3,165</b>	853
Training expenses	<b>749</b>	2,067
Others	<b>3,994</b>	1,650
<b>Total</b>	<b>153,912</b>	154,024

Our costs of services decreased by approximately RMB0.1 million or 0.1% from approximately RMB154.0 million for the six months ended 29 February 2020 to approximately RMB153.9 million for the six months ended 28 February 2021, which are basically the same. That was primarily attributable to the decrease in repair and maintenance, royalty fees and training costs setting off the increased operating costs resulting from increase in the salary of teachers, depreciation expenses, office expenses, utilities expenses for the improvement of educational hardware, and award of enrolment granted to students for encouragement, and other factors during the Reporting Period, among which:

- (i) staff costs increased by approximately RMB3.1 million or 3.0% from approximately RMB101.7 million for the six months ended 29 February 2020 to approximately RMB104.8 million for the six months ended 28 February 2021, primarily because we offered more competitive remuneration packages to attract and retain high quality teachers and teaching assistants during the six months ended 28 February 2021;
- (ii) depreciation of property, plant and equipment expenses increased by approximately RMB1.2 million or 6.4% from approximately RMB18.8 million for the six months ended 29 February 2020 to approximately RMB20.0 million for the six months ended 28 February 2021;



- (iii) utilities expenses increased by approximately RMB2.3 million or 255.6% from approximately RMB0.9 million for the six months ended 29 February 2020 to approximately RMB3.2 million for the six months ended 28 February 2021, due to the increase in the addition of labour room and cooking classrooms and other facilities by Jinjiang School, Longquan School and Tianfu School in accordance with the requirements of national reform on education system, resulting in an increase in utilities expenses;
- (iv) office expenses increased by approximately RMB0.5 million or 26.3% from approximately RMB1.9 million for the six months ended 29 February 2020 to approximately RMB2.4 million for the six months ended 28 February 2021, primarily because of the increase in the activity fee of faculty staff as a result of our frequent Party and League activities as required by competent educational departments, and an increase in office expenses due to a substantial increase in the enrolment promotion expenses and business activity fee in line with the change of national enrolment policy;
- (v) other costs increased by approximately RMB2.3 million or 135.3% from approximately RMB1.7 million for the six months ended 29 February 2020 to approximately RMB4.0 million for the six months ended 28 February 2021, primarily because of the enrolment award of RMB3.4 million granted to outstanding students as at 29 February 2020 for the purposes of encouraging diligent study during the current period.

### Gross profit and gross profit margin

The following table sets forth the breakdown of segment revenue, gross profits and gross profit margins for the periods indicated:

	For the six months ended					
	28 February 2021			29 February 2020		
	Segment revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Segment revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Degree Education	171,478	35,954	21.0	171,504	36,915	21.5
Preschool Education	24,177	5,789	23.9	26,447	7,012	26.5
<b>Total</b>	<b>195,655</b>	<b>41,743</b>	<b>21.3</b>	<b>197,951</b>	<b>43,927</b>	<b>22.2</b>

Gross profit margin of Degree Education decreased from approximately 21.5% for the six months ended 29 February 2020 to approximately 21.0% for the six months ended 28 February 2021. The decrease in gross profit margin was mainly due to the fact that the depreciation in transfer of fixed assets at three new schools, namely Nanjiang Bojun School, Wangcang Bojun School and Lezhi Bojun School, increased, and their student enrolment has not yet reached the breakeven level, resulting in costs of services being higher than the tuition fees income and gross profit margin of Degree Education decreased.

Gross profit margin of Preschool Education decreased from approximately 26.5% for the six months ended 29 February 2020 to approximately 23.9% for the six months ended 28 February 2021. The decrease in gross profit margin was mainly attributable to a decrease in revenue from less student enrolment in the Preschool Education segment in the midst of fierce competition, as well as an increase in school operation costs due to upgrade of certain facilities and equipment for optimisation of schooling conditions.

### **Other income and (expenses)**

For the six months ended 28 February 2021, our other income and (expenses) primarily consist of interest income from banks.

### **Other gains and (losses)**

For the six months ended 28 February 2021, our other gains and (losses) primarily comprise allowances for poor students and economic compensation for student accidents.

### **Administrative expenses**

Administrative expenses primarily consist of administrative staff costs, office expenses, business expenses, motor vehicle expenses, greening and environmental costs, attorney fees, audit and assessment fees, handling charges and certain other administrative expenses. Other administrative expenses generally include staff travel expenses, management meetings expenses and welfare expenses.

Our administrative expenses decreased by approximately RMB1.5 million or 5.4% from approximately RMB28.0 million for the six months ended 29 February 2020 to approximately RMB26.5 million for the six months ended 28 February 2021, mainly attributable to adoption of energy conservation and efficiency enhancement measures by the Group, lowering the extraordinary expenses and resulting in the decrease in administrative and office expenses.

### **Finance costs**

Our finance costs primarily consist of interest expenses of bank borrowings.

Our finance costs increased by approximately RMB4.7 million or 94.0% from approximately RMB5.0 million for the six months ended 29 February 2020 to approximately RMB9.7 million for the six months ended 28 February 2021, primarily attributable to the increase in the amount of loan facilities drawn to meet the increase in working capital requirements due to the expansion in scale of our schools for the six months ended 28 February 2021.

### **Taxation**

Our income tax expenses for the six months ended 29 February 2020 and 28 February 2021 amounted to approximately RMB3.5 million and RMB0.5 million, respectively. The decrease was mainly attributable to a decrease in profit generated from our schools.

## **Profit for the period**

Our profit for the Reporting Period decreased by approximately RMB6.1 million or 54.5% from approximately RMB11.2 million for the six months ended 29 February 2020 to approximately RMB5.1 million for the six months ended 28 February 2021. Such decrease was mainly attributable to (i) decrease in revenue due to the decreased student enrolment level of kindergartens at our Preschool Education segment and an increase in depreciation which led to a decrease in gross profit margin, thereby resulting in a decrease of approximately RMB2.2 million in gross profit; (ii) a decrease of approximately RMB2.0 million in other gains; (iii) a decrease of approximately RMB1.3 million in gains from changes in fair value; and (iv) an increase of approximately RMB4.7 million in finance costs due to the expanding financing size. Reduction of approximately RMB1.5 million in the Group's administrative expenses as compared to that of the six months ended 29 February 2020 remains insufficient to compensate for the decrease in profit before tax.

## **Contract liabilities**

We record tuition fees and boarding fees collected initially as the liabilities under contract liabilities and recognise such amounts as revenue proportionately over the relevant period of the applicable programme. Our contract liabilities decreased by approximately RMB161.3 million or 43.7% from approximately RMB369.3 million as at 31 August 2020 to approximately RMB208.0 million as at 28 February 2021. The decrease was primarily due to the completion of provision of education services corresponding to the fees collected by our 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 Listing and short-term bank borrowings. The short-term bank borrowings amounted to RMB122.0 million as at 28 February 2021, and have a variable interest at 110%-140% of the benchmark interest rate of the People's Bank of China. Our cash and cash equivalents amounted to approximately RMB426.8 million and RMB187.9 million as at 31 August 2020 and 28 February 2021, respectively.

We generally deposit our excess cash in interest-bearing bank accounts.

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

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for working capital and capital expenditure needs. For the six months ended 28 February 2021, we had not experienced 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 the periods indicated:

	<b>For the six months ended</b>	
	<b>28 February</b>	<b>29 February</b>
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash used in operating activities	<b>(124,294)</b>	(119,528)
Net cash used in investing activities	<b>(131,380)</b>	(248,957)
Net cash from (used in) financing activities	<b>16,760</b>	245,266
Net increase (decrease) in cash and cash equivalents	<b>(238,914)</b>	(123,219)
Cash and cash equivalents at the beginning of the period	<b>426,772</b>	336,647
Effect of exchange rate changes	<b>—</b>	—
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<b>187,858</b>	213,428

## **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 upgrading of our existing schools; and (iv) the proposed Capital Injection. The following table sets forth our additions of property, plant and equipment and leasehold land, for the periods indicated:

	<b>For the six months ended</b>	
	<b>28 February</b>	<b>29 February</b>
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Payment for property, plant and equipment	<b>(23,552)</b>	(231,274)
Payment for leasehold land	<b>—</b>	(2,180)
Prepayment for property, plant and equipment	<b>(34,328)</b>	—
Investment rights in respect to prepayments for the proposed Capital Injection	<b>(73,500)</b>	—

We plan to satisfy such capital expenditures with a combination of our existing cash, cash generated from our operations, proceeds from the Listing and/or bank borrowings and other funds raised from the capital markets from time to time.

## CAPITAL COMMITMENTS

For the six months ended	
28 February 2021	29 February 2020
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

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

—	19,620
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## GEARING RATIO

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

Our gearing ratio increased from approximately 48.7% as at 31 August 2020 to approximately 51.3% as at 28 February 2021, as the Group increased its bank borrowings to meet the requirement of working capital after business expansion during the six months ended 28 February 2021.

## 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.

## FOREIGN EXCHANGE EXPOSURE

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that minimal expenditures are denominated in Hong Kong dollars. As at 28 February 2021, certain bank balances and cash were denominated in Hong Kong dollars. Any material volatility in the exchange rates of these currencies against RMB may affect the financial condition of the Group. The Group has not used any financial instrument to hedge the foreign exchange risk that it is exposed to currently. However, the management of the Group monitors 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 28 February 2021.

## **CONTINGENT LIABILITIES**

As at 28 February 2021, the Group did not have any material contingent liabilities (31 August 2020: nil).

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

For the six months ended 28 February 2021, the Group had not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

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

On 11 September 2020 and 16 October 2020, Chengdu Bojun, Shenzhen Hongyuan Education Investment Company Limited (“**Shenzhen Hongyuan**”) and the initial shareholder of Shenzhen Hongyuan entered into a capital injection agreement and a supplement agreement, respectively, pursuant to which Chengdu Bojun agreed to subscribe for new capital of Shenzhen Hongyuan in the aggregate amount of RMB245.0 million (equivalent to approximately HK\$278.0 million) in cash. Upon completion of the Capital Injection, Chengdu Bojun will hold 49.0% of the enlarged (as enlarged by the Capital Injection) registered capital of Shenzhen Hongyuan. The financial results of Shenzhen Hongyuan will not be consolidated into the accounts of the Group.

The Company made the first batch of payment of consideration of RMB73.5 million for the Capital Injection in September 2020. As at the date of this announcement, the transaction has not been completed. The long stop date of the transaction has been extended to 11 August 2021. For further information, please refer to the announcements of the Company dated 11 September 2020, 16 October 2020 and 11 January 2021.

## **Source and Use of Funds and Future Financial Policies**

As at 28 February 2021, the Group recorded net current liabilities of approximately RMB526.1 million. In view of these circumstances, the Directors 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 Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those capital expenditures committed in relation to the Capital Injection, by taking into account the Group’s cash flow projection. The Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months.

## 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, have been/will be applied in the manners as set out in the section headed “Future plans and use of proceeds” of the Company’s prospectus dated 19 July 2018. As at 28 February 2021, the Company applied the net proceeds in the following manners:

Use of proceeds	% of the net proceeds	Proceeds allocated (RMB million)	Amount utilised (RMB million)	Unutilised 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 Chengdu 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 unutilised net proceeds are generally placed in licenced financial institutions as short-term interest-bearing deposits. Due to impact of the COVID-19 and adjustment to the Group’s development strategy, our commencement plan of the US School may be suspended, and we will make further announcement as and when appropriate.

## SIGNIFICANT INVESTMENT HELD

As at 28 February 2021, the Group did not hold any significant investment.

## SIGNIFICANT LEGAL PROCEEDINGS

For the six months ended 28 February 2021, the Group had not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.



## **EMPLOYEE BENEFITS**

As at 28 February 2021, the Group had 1,711 employees (as at 29 February 2020: 1,719). 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 programmes to its employees. For the six months ended 28 February 2021, the staff costs (including directors' fees) amounted to approximately RMB117.6 million (29 February 2020: approximately RMB115.7 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 six months ended 28 February 2021, no share options had been granted under the Share Option Scheme by the Company. In addition, as at 28 February 2021, no share options under the Share Option Scheme were outstanding.

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of interim dividends for the six months ended 28 February 2021.

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

During the six months ended 28 February 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

## **CHANGE OF DIRECTORS AND SENIOR MANAGEMENT**

With effect from 26 November 2020:

- (i) Mr. Ran Tao resigned as an executive Director and the chief executive officer of the Company; and
- (ii) Mr. Wang Jinglei, an executive Director and chairman of the Board, was appointed as the chief executive officer of the Company.



## **SUBSEQUENT EVENTS**

### **Change of address of principal place of business in Hong Kong**

With effect from 8 March 2021, the address of principal place of business of the Company in Hong Kong was changed to 2206–19 Jardine House, 1 Connaught Place, Central, Hong Kong. For further information, please refer to the announcement of the Company dated 8 March 2021.

### **Plan of termination of the Jianyang School Project**

Due to change in land planning of the People's Government of Jianyang\* (簡陽市人民政府), the Group's plan of establishing a school in Jianyang City cannot implemented as scheduled and we plan to negotiate for termination of the relevant educational project investment agreement. As at the date of this announcement, Jianyang Jinbojun Education Management Company Limited\* (簡陽金博駿教育管理有限公司), a consolidated affiliated entity of the Company and a party to such agreement has submitted an application for termination of such agreement to the People's Government of Jianyang.

## **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 six months ended 28 February 2021.

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

The Board has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. Since 31 July 2018, the date on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange, the Company has applied the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions save and except for the deviation from code provision A.2.1 of CG Code, details of which are explained below. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

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

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei and Ms. Luo Yunping, all being independent non-executive Directors of the Company. Mr. Cheng Tai Kwan Sunny is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 28 February 2021 and held a meeting to discuss matters with respect to the accounting policies and practices adopted by the Company. The Audit Committee did not have any different opinions on the accounting policies adopted by the Company. The Audit Committee has also discussed the internal control matters with senior management members of the Company.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <http://bojuneducation.com>. The interim report of the Group for the six months ended 28 February 2021 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to shareholders of the Company in due course.

## APPRECIATION

The Company would like to express its sincere appreciation for the unremitting effort and dedication made by the Board, the management and all of its staff, 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**  
**Wang Jinglei**  
*Chairman of the Board and chief executive officer*

Hong Kong, 28 April 2021

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

\* *For identification purpose only*