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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 2023**

<b>HIGHLIGHTS</b>				
	<b>28 February 2023</b>	28 February 2022	Change	Change in percentage
Total Student Enrolment	<b>854</b>	151	+703	+465.6%
	<b>Six months ended</b>			
	<b>28 February 2023</b>	28 February 2022	Change	Change in percentage
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	<b>(unaudited)</b>	<b>(unaudited)</b>		
Revenue	41,749	5,970	+35,779	+599.3%
Gross profit	7,932	2,903	+5,029	+173.2%
Profit for the period attributable to owners of the Company	(7,765)	(14,115)	+6,350	-45.0%
Profit for the period	(7,765)	(14,115)	+6,350	-45.0%
Basic earnings per share ( <i>RMB cent</i> )	(0.94)	(1.72)	+0.78	-45.3%

*Note:* Adjusted net profit is unaudited as the Group's management believes that the information will support investors in assessing the level of the Company's net profit after eliminating the impact of certain one-time or non-recurring items. During the six months ended 28 February 2023, there were no one-off or non-recurring items to be eliminated. Accordingly, no information on adjusted net profit is included in the announcement.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of Bojun Education Company Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, collectively the “**Group**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 28 February 2023 (the “**Reporting Period**”).

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

For the six months ended 28 February 2023

		<b>Six months ended</b>	
		<b>28 February 2023</b>	28 February 2022
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue from provision of education service	4	<b>41,749</b>	5,970
Costs of services		<b>(33,817)</b>	(3,067)
		<hr/>	<hr/>
Gross profit		<b>7,932</b>	2,903
Other income (expense)	5	<b>1,992</b>	866
Other gains and (losses)	6	<b>6,088</b>	81
Share of loss of an associate		<b>(3)</b>	(3)
Administrative expenses		<b>(18,542)</b>	(16,533)
Finance costs	7	<b>(5,037)</b>	(1,217)
Profit before tax	9	<b>(7,570)</b>	(13,923)
		<hr/>	<hr/>
Income tax expenses	8	<b>(195)</b>	(192)
Profit for the period	9	<b>(7,765)</b>	(14,115)
		<hr/> <hr/>	<hr/> <hr/>
<i>Comprehensive Income that will not be reclassified subsequently to profit or loss:</i>			
— Remeasurement of defined benefit obligations		—	—
		<hr/>	<hr/>
Total comprehensive income for the period		<b>(7,765)</b>	(14,115)
		<hr/> <hr/>	<hr/> <hr/>
Profit for the period attributable to			
— Owners of the Company		<b>(7,765)</b>	(14,115)
— Non-controlling interests		—	—
		<hr/>	<hr/>
		<b>(7,765)</b>	(14,115)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to			
— Owners of the Company		<b>(7,765)</b>	(14,115)
— Non-controlling interests		—	—
		<hr/>	<hr/>
		<b>(7,765)</b>	(14,115)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share — Basic (RMB)	10	<b>(0.94)</b>	(1.72)
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 28 February 2023*

		<b>As at</b>	
		<b>28 February 2023</b>	31 August 2022
	<i>Notes</i>	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment	<i>11</i>	<b>670,839</b>	665,775
Right-of-use assets	<i>12</i>	<b>96,343</b>	97,780
Interest in an associate		<b>17,507</b>	17,510
Deferred tax assets		<b>17,480</b>	17,672
Deposits		<b>78,571</b>	78,335
		<b>880,740</b>	877,072
<b>CURRENT ASSETS</b>			
Other receivables, deposits and prepayments	<i>13</i>	<b>50,389</b>	41,046
Amounts due from related companies	<i>14</i>	<b>91,776</b>	95,916
Bank balances and cash	<i>15</i>	<b>35,318</b>	155,072
		<b>177,483</b>	292,034
<b>TOTAL ASSETS</b>		<b>1,058,223</b>	1,169,106
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	<i>16</i>	<b>44,375</b>	27,107
Contract liabilities	<i>17</i>	<b>28,760</b>	36,810
Amounts due to related companies	<i>18</i>	<b>1,428</b>	–
Lease liabilities		<b>719</b>	719
Borrowings	<i>19</i>	<b>30,000</b>	31,120
Income tax payable		<b>6,347</b>	6,805
Financial guarantee liabilities		<b>7,807</b>	13,105
		<b>119,436</b>	115,666
<b>NET CURRENT ASSETS</b>		<b>58,047</b>	176,368
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>938,787</b>	1,053,440

		As at	
		28 February 2023	31 August 2022
	<i>Notes</i>	<b>RMB'000</b> <b>(unaudited)</b>	<b>RMB'000</b> <b>(audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	19	<b>104,320</b>	129,000
Amounts due to related companies	18	<b>593,046</b>	674,487
Deferred income	20	<b>69,921</b>	70,688
		<u><b>767,287</b></u>	<u>874,175</u>
NET ASSETS		<u><b>171,500</b></u>	<u>179,265</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>7,138</b>	7,138
Reserves		<b>164,362</b>	172,127
		<u><b>171,500</b></u>	<u>179,265</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Controlling interests		<u><b>–</b></u>	<u>–</u>
		<u><b>171,500</b></u>	<u>179,265</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 28 February 2023*

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

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business of the Company is No. 209 Sanse Road, Jinjiang District, Chengdu, Sichuan Province, the People's Republic of China (the "**PRC**" or "**China**"). The Company is an investment holding company. The subsidiaries of the Group are mainly engaged in the provision of educational services in the PRC.

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 the Hong Kong Accounting Standards ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

For the six months ended 28 February 2023, the Group incurred a loss attributable to owners of the Company of approximately RMB7,765,000. Together with the uncertainty of the impact of Implementation Regulations (as defined below) indicate the existence of material uncertainty which may cast doubt on the Group's ability to continue as going concern. In view of these circumstances, the Directors have considered the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group has sufficient financial resources to continue as a going concern. The condensed consolidated financial statements have been prepared on a going concern basis as 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, taking into account the Group's cash flow projections, undrawn banking facilities and the Group's future capital expenditure under the irrevocable capital commitment.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2023 are the same as those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 August 2022, save for the changes in accounting policies arising from the application of the new and revised HKFRSs and their interpretations.

## **Application of New and Revised HKFRSs and their Interpretations**

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

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

## **4. REVENUE AND SEGMENT INFORMATION**

The Group’s revenue represents service income comprising tuition fees and boarding fees, and education consultancy and management service fees. Regarding the provision of education services, revenue, including tuition fees and boarding fees, education consultancy and management services fees (each being single performance obligation), 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.

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 assesses the performance of teaching and boarding services provided by Lidu Kindergarten, Riverside Kindergarten, Tianfu High School and other education consultancy and management services based on revenue generated in the daily operating process on a continuing basis, taking into account the similar business model and customer type from service perspectives subject to similar regulatory environment. Accordingly, their segment information is aggregated as two reportable segments, i.e. tuition fees and boarding fees, and education consultancy and management services. The accounting policies of the reportable segments are the same described in Note 3.

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

	<b>Degree education and Profitable Education services RMB'000</b>	<b>Education consultancy and Management services RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 28 February 2023</b>			
Tuition fees and boarding fees	21,246	–	21,246
Educational consultancy and management services fee	–	20,503	20,503
Total (Unaudited)	<u>21,246</u>	<u>20,503</u>	<u>41,749</u>

<b>Six months ended 28 February 2022</b>			
Tuition fees and boarding fees	4,090	–	4,090
Educational consultancy and management services fee	–	1,880	1,880
Total (Unaudited)	<u>4,090</u>	<u>1,880</u>	<u>5,970</u>

**5. OTHER INCOME (EXPENSES)**

	<b>Six months ended</b>	
	<b>28 February 2023 RMB'000 (Unaudited)</b>	<b>28 February 2022 RMB'000 (Unaudited)</b>
Bank interest income	48	79
Release of asset-related government grants	767	767
Others	1,177	20
	<u>1,992</u>	<u>866</u>

## 6. OTHER GAINS AND (LOSSES)

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
Loss on disposal of property and equipment, net	1	81
Net exchange loss	191	–
Gain on bargain purchase on acquisition of business of Riverside Kindergarten	672	
Amortisation of financial guarantee contracts	5,298	
	<hr/>	<hr/>
Others	(74)	–
	<hr/>	<hr/>
	<b>6,088</b>	<b>81</b>

## 7. FINANCE COSTS

	Six months ended	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<i>Interest on:</i>		
Bank borrowings	2,457	1,178
Others	2,580	39
	<hr/>	<hr/>
	<b>5,037</b>	<b>1,217</b>

## 8. INCOME TAX EXPENSE

The Company and Bojun Education Investment Holdings Company Limited (“**Bojun Investment**”) were 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 (“**Chengdu Bojun**”) and USA Bojun Education, Inc. (“**US Bojun**”) have no assessable profits subject to PRC Enterprise Income Tax (“**PRC EIT**”) of 25% and corporate tax in the United States (“**US**”) respectively since their establishment.



Pre-school Education is subject to PRC EIT at 25%. According to announcement of Notice of the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy, all kindergartens should be registered with the local tax authority in order to be eligible to the reduced 15% PRC EIT rate.

Pursuant to the PRC Income Tax Law and the respective regulations, other companies of the Group operating in the PRC are subject to PRC EIT rate of 25% on its assessable income.

	<b>Six months ended</b>	
	<b>28 February 2023</b>	28 February 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Tax expense includes:</i>		
Current tax —PRC EIT	(3)	—
Deferred tax	(192)	(192)
	<u>(195)</u>	<u>(192)</u>

#### **9. LOSS FOR THE PERIOD (PROFIT BEFORE TAX)**

Loss before tax has been arrived at after charging:

	<b>Six months ended</b>	
	<b>28 February 2023</b>	28 February 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Directors' and chief executive's emoluments	875	979
Other staff costs		—
— Salaries and other benefits	20,605	5,394
— Employee benefits		
— Defined contribution benefits	1,259	285
	<u>22,739</u>	<u>6,658</u>
Total staff costs		
Depreciation of property, plant and equipment	5,850	4,849
Depreciation of right-of-use assets	1,132	708
Auditors' remuneration	580	1,840
	<u>580</u>	<u>1,840</u>

## 10. 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>Six months ended</b>	
	<b>28 February 2023 (Unaudited)</b>	28 February 2022 (Unaudited)
Profit for the period attributable to the owners of the Company (RMB'000)	<u>(7,765)</u>	<u>(14,115)</u>
Weighted average number of ordinary shares in issue (thousands)	<u><b>821,856</b></u>	<u>821,856</u>

No diluted earnings per share was presented as there were no potential dilutive shares outstanding during the six months ended 28 February 2023 and 28 February 2022.

## 11. PROPERTY, PLANT AND EQUIPMENT AND MOVEMENTS

During the Reporting Period, the increase in buildings of approximately RMB83,606,000 was due to the transfer to fixed assets of construction in progress of Tianfu High School, and the decrease in construction in progress of approximately RMB77,142,000 was mainly due to the increase in construction in progress of approximately RMB6,464,000, the decrease in transfer to fixed assets of construction in progress of approximately RMB83,606,000, the increase in furniture and equipment of approximately RMB1,859,000, the increase in motor vehicles of approximately RMB311,000, the increase in electronic equipment of approximately RMB878,000, and the increase in leasehold improvements of approximately RMB1,397,000.

As at 28 February 2023, the closing balance of the Group's fixed assets (excluding depreciation) is comprised of: buildings of approximately RMB438,700,000, furniture, fixtures and equipment of approximately RMB2,287,000, motor vehicles of approximately RMB3,756,000, electronic equipment of approximately RMB1,304,000, leasehold improvements of approximately RMB1,300,000, construction in progress of approximately RMB223,492,000, totaling approximately RMB670,839,000.

## 12. RIGHT-OF-USE ASSETS

	<b>Six months ended</b>	
	<b>28 February 2023 (Unaudited)</b>	28 February 2022 (Unaudited)
Non-current assets	<u><b>96,343</b></u>	<u>99,452</u>

### 13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
Deposits <sup>(i)</sup>	78,571	78,230
Prepayments	2,457	109
Advances to employees	929	2,689
Other receivables <sup>(ii)</sup>	47,003	849
	<hr/>	<hr/>
Total	<b>128,960</b>	81,877
	<hr/>	<hr/>
Less: Deposits presented under non-current assets	<b>78,571</b>	(78,230)
	<hr/>	<hr/>
Presented under current assets	<b>50,389</b>	3,647
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- i. Deposits includes deposits paid for acquisition of a target company of RMB73,500,000, non-interest bearing deposits placed with local government authorities for the establishment of new school campus of approximately RMB3,145,000, and other deposits of approximately RMB1,926,000.
- ii. Included in other receivables, an amount of RMB37,000,000 was a refundable investment fund due from Sichuan Hongde Guanghua Education Management Company Limited\* (四川弘德光華教育管理有限公司) in relation to the disposal of Pengzhou Bojun School\* (彭州市博駿學校), by terminating the cooperation agreement.

#### 14. AMOUNTS DUE FROM RELATED COMPANIES

Name	Relationship	As at	
		28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
<b>Non-trade related</b>			
四川博駿教育投資管理有限公司 Sichuan Bojun Education Investment Management Company Limited*	56% interest held by Mr. Xiong Tao	426	426
Sichuan Hongde Guanghua Advisory Limited* (四川弘德光華教育 諮詢有限公司)	Shareholder of the released cooperating School	–	39,000
Amounts due from the Affected Entities		91,056	182,075
<b>Trade related</b>			
成都恒宇實業有限公司 Chengdu Hengyu Industrial Company Limited	Controlled by Mr. Xiong Tao	294	294

#### 15. BANK AND CASH BALANCES

As at 28 February 2023, other bank balances carry interest at prevailing market rates of 0.01% — 0.385%.

#### 16. OTHER PAYABLES AND ACCRUALS

	As at	
	28 February 2023 RMB'000 (Unaudited)	28 February 2022 RMB'000 (Unaudited)
Payables for property and equipment	5,660	25,079
Miscellaneous expenses received from students (i)	1,612	804
Salary payables	1,616	159
Accrued expenses	1,948	1,412
Tax payable	188	–
Payables for purchase of goods	11,226	366
Other payables	22,125	482
	<u>44,375</u>	<u>28,302</u>

Note:

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

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

## 17. CONTRACT LIABILITIES

	As at	
	28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Tuition fees and boarding fees	<u>28,760</u>	<u>3,473</u>
	<u><u>28,760</u></u>	<u><u>3,473</u></u>

Contract liabilities represent the Group's obligation to provide education services to students for which the Group has received advance payment from the students. The balance will be recognised within six months upon the satisfaction of performance obligation.

## 18. AMOUNTS DUE TO RELATED COMPANIES

	As at	
Name	28 February 2023 <i>RMB'000</i> (Unaudited)	28 February 2022 <i>RMB'000</i> (Unaudited)
Amounts due to related companies		
Amounts due to affected entities	594,474	789,913
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(1,428)</u>	<u>(137,718)</u>
	<u><u>593,046</u></u>	<u><u>652,195</u></u>

The school sponsor fulfils its obligations by providing property, plant and equipment owned by it for use by the school. As the school begins to enroll students, the cash flow generated from the operation is used for the construction of property, plant and equipment, which forms the school sponsor's debt to the school.

## 19. BORROWINGS

	<b>As at</b>	
	<b>28 February 2023</b>	28 February 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Unsecured bank borrowings with corporate guarantee <sup>(i)</sup>	<u>134,320</u>	<u>164,320</u>
	<u>134,320</u>	<u>164,320</u>
Analysed as:		
Carrying amount repayable within one year	<b>30,000</b>	30,000
Carrying amount repayable within four years	<u><b>104,320</b></u>	<u>134,320</u>

*Note:*

- i. As at 28 February 2023, the unsecured bank borrowing with corporate guarantee of RMB30,000,000 bears interest at 7% per annum and is repayable within one year after the end of the Reporting Period. Meanwhile, unsecured long-term bank borrowings with corporate guarantee of RMB104,320,000 bear interest at 7% per annum and are repayable within four years after the end of the Reporting Period.

The Company shall pay the current interest and repay the principal according to the agreed date of the borrowing contract. As at the date of the announcement, the Company has not committed any default.

## 20. DEFERRED INCOME

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

## BUSINESS REVIEW

### Our Schools

We are a leading private education service group in Sichuan Province, the PRC, previously operated 13 schools in Sichuan Province. On 14 May 2021, the State Council of the PRC promulgated the Implementation Regulations (as defined below) which became effective on 1 September 2021. For details please refer to the paragraph headed “Latest regulatory developments” below. The Implementation Regulations imposes significant uncertainties and restrictions on the Group’s control over the affiliated entities operating private schools offering compulsory education and non-profit kindergartens. The Group has lost its control over the Affected Entities since 31 August 2021, and the Affected Business has been classified as the discontinued operations. Currently, the Group comprise of one high school and two kindergartens.

The following sets out the types of education provided by each of our schools as at 28 February 2023:

	Kindergartens	High school section
Sichuan New Tianfu District No. 1 High School Attached to Sichuan Normal University*四川天府新區師大一中高級中學有限公司(“ <b>Tianfu High School</b> ”)		✓
Chengdu Youshi Lidu Kindergarten Company Limited* 成都市武侯區幼師麗都幼兒園有限公司 (“ <b>Lidu Kindergarten</b> ”)	✓	
Chengdu Jinjiang Youshi Riverside Kindergarten Company Limited * (成都市錦江區幼獅河濱幼兒園有限責任公司) (“ <b>Riverside Kindergarten</b> ”)	✓	

*Note:* Riverside Kindergarten was changed to for-profit kindergarten in November 2022

### OUR STUDENTS

As at 28 February 2023, we had an enrolment of 854 students, including 278 kindergarten students and 579 high school students.

#### Number of students by school sections

	Student Enrolment			Change in percentage
	As at 28 February 2023	2022	Change	
High school	576	151	+425	+281.5%
Kindergarten	278	–	+278	N/A

## Tuition and boarding fees

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

In general, our high school has an increase in tuition fees every three years to reflect our operating costs. There has been an increase in the operating costs of our kindergartens and we have made slight upward adjustment to the tuition fees, so that we can maintain our competitiveness in the preschool market.

## Teacher and teacher recruitment

We believe that teachers are the key to maintaining our high standard of educational programmes and services as well as safeguarding 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 teaching profession and the well-being of students. Hiring teachers who have extensive teaching experience and thrive in our schools is essential for the development of our students and the success of our schools. We offer competitive compensation and benefits to our teachers to ensure that they are dedicated to their work and are satisfied with their career development.

<b>School sections</b>	<b>Number of teachers As at 28 February 2023</b>	<b>Number of teachers As at 28 February 2022</b>	<b>Change</b>	<b>Change in percentage</b>
High school	47	21	+26	+123.8%
Kindergarten	46	0 <sup>(Note)</sup>	+46	N/A

*Note:* The number of kindergarten teachers of the Group as at 28 February 2022 was 0 because the Group lost its control over the Affected Entities since 31 August 2021 with the introduction of the Implementation Regulations. For details, please refer to the paragraph headed “Latest regulatory developments” below.



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

### **Developments in the Vocational Education Industry**

Since the reform and opening-up of the PRC market, vocational education has provided a large number of talents to support the economic and social development of the PRC. As the PRC enters a new stage of development, the rates of industrial upgrade and economic restructuring are accelerating, and the demand for technically skilled personnel in various industries is becoming more and more urgent. The Chinese government encourages listed companies to provide vocational education and encourages all kinds of enterprises to participate in providing vocational education in accordance with the law. In particular, after the publication of several opinions, the specific measures mentioned therein and the new development environment as prepared will be the cornerstone for changing social concepts and effectively improving China's vocational education reform.

Therefore, the Group decided to optimise its business structure and implement the strategic layout of vocational education. The Group entered into the Amended Agreements (as defined below) with certain parties on 10 April 2023 to acquire equity interests in two companies engage in the vocational education industry. At the same time, the Group has also formulated a vocational education development policy, which will further expand the student base of the Group's affiliated schools upon completion of the above acquisition.

### **Integrated Overseas Education Service**

Adhering to the original intention of education and with the core concept of cultivating talents with international vision and sound personality, Bojun delivers a wide range of high-end international education services to students of all ages. Our overseas planning and application process is personalised and supervised by our education director.

We plan to develop an international high school programme through the introduction of a sophisticated management and teaching team. As the international overseas education market gradually recovers, the international high school market is also gaining traction. We plan to offer Advanced Placement (AP) courses of universities in the United States, which are college-level courses offered by the College Board of U.S. universities for high school students, allowing high school students an early exposure to college courses, avoiding duplication of courses between high school and junior college, and giving students an advantage in further education. It is primarily for high school students who plan to enroll in undergraduate programs in the United States. In addition, we plan to offer the A-Level (General Certificate of Education Advanced Level) (the A-Level Program), which is used as an admissions standard by almost all English-speaking universities. It is mainly suitable for high school students who plan to enroll in undergraduate courses in the UK.

As both programs are available worldwide, passing the AP and A-Level exams gives students more opportunities in choosing a school, it is becoming a trend for students with the goal of studying abroad to take either the AP or A-Level exams, with good prospects for offering these international programmes.

### *Education Management Services*

Since 2001, Sichuan Boai Preschool Education Development Company Limited\* (四川省博愛幼兒教育事業發展有限責任公司) and Chengdu Youshi Preschool Education Investment Management Company Limited\* (成都幼獅幼兒教育投資管理有限公司) have successfully established six kindergartens in Chengdu, Sichuan Province with a high starting point, high level and high standards by combining modern preschool education philosophy, strong teams of experts and abundant teaching resources. After decades of development, “Youshi Kindergarten” has become a professional kindergarten brand. Its school quality has been highly recognised by education authorities, parents and kindergarten peers, and has won many awards for teaching achievements at national, provincial and municipal levels, sustaining a high media exposure and market appeal in the province.

During the Reporting Period, the Group provides kindergarten education management services to four connected kindergartens and one independent kindergarten. Under the kindergarten education management services agreement dated 30 June 2022, the Group is generally entrusted with providing educational services and teaching resources, including curriculum design and consultation, relevant training to teaching staff and management, campus maintenance, and administrative services etc. With connected kindergartens, the Group is also entrusted with providing teaching staff required for the kindergartens. For details, please refer to the announcements of the Company dated 30 June 2022 and 21 September 2022, and circular of the Company dated 1 September 2022.

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

As far as the Board and the Group'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, and there was no material violation of or non-compliance with applicable laws and regulations by the Group during the six months ended 28 February 2023.

## **LATEST REGULATORY DEVELOPMENTS**

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

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

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

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

## 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 USA. On 29 January 2018, we, through US Bojun, entered 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) of the proceeds from 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 the Group is focusing on the advanced education market, our commencement plan of a school in the USA may be further postponed. Further announcement will be made by the Group as and when appropriate.

The Group’s PRC legal advisor indicated to the Group that the relevant regulatory developments and guidance related to the Qualification Requirement have not changed.

## FINANCIAL REVIEW

### REVENUE

We derive revenue from tuition fees and boarding fees by our schools from students as well as providing education advisory and management service to our students. The following table sets forth the breakdown of major components of the revenue for the periods indicated:

	For the six months ended		Percentage	
	28 February	of total	28 February	of total
	2023	revenue	2022	revenue
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
— Tuition fees and boarding fees	21,246	50.9	4,090	68.5
— Education advisory and management service fees	20,503	49.1	1,880	31.5
<b>Total</b>	<b>41,749</b>	<b>100</b>	<b>5,970</b>	<b>100.00</b>

Our revenue increased by approximately RMB35.8 million (or 599.3%) from approximately RMB6.0 million for the six months ended 28 February 2022 to approximately RMB41.8 million for the six months ended 28 February 2023. The increase was mainly due to the increase in revenue as a result of the increase in the number of students served by the Group.

Our high school enrollment increased by approximately 281.5% from 151 students on 28 February 2022 to 576 students on 28 February 2023, with the addition of 278 students from the two newly for-profit kindergartens, Riverside Kindergarten and Lidu Kindergarten.

## COSTS OF SERVICES

Our cost of services mainly consists of staff costs, depreciation, rental expenses and other costs. Cost of services accounted for approximately 51.4% and 81.0% of our total revenue for the six months ended 28 February 2022 and 28 February 2023, respectively. The following table sets forth a breakdown of the major components of our cost of services for the periods indicated:

	<b>For the six months ended</b>	
	<b>28 February</b>	28 February
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Staff costs	<b>19,076</b>	2,322
Depreciation of property and equipment	<b>1,816</b>	8
Rental and property management fee	<b>472</b>	–
Office expenses	<b>261</b>	12
Repair and maintenance	<b>264</b>	29
Utilities expenses	<b>563</b>	2
Training expenses	<b>91</b>	14
Canteen operating costs	<b>10,645</b>	443
	<hr/>	<hr/>
Others	<b>629</b>	237
	<hr/>	<hr/>
<b>Total</b>	<b>33,817</b>	3,067
	<hr/> <hr/>	<hr/> <hr/>

The cost of services increased by approximately RMB30.8 million or 1,001.6% from approximately RMB3.1 million for the six months ended 28 February 2022 to approximately RMB33.8 million for the six months ended 28 February 2023. This was mainly due to the increase in various operating costs as a result of increase in the number of operating premises and facilities and equipment as more staff are required for business development, and the addition of two for-profit kindergartens.

- (i) Staff costs increased by approximately RMB16.8 million (or 722.0%) from approximately RMB2.32 million for the six months ended 28 February 2022 to approximately RMB19.1 million for the six months ended 28 February 2023. Such increase was mainly due to the increase in our staff member during the six months ended 28 February 2023.
- (ii) Depreciation expenses of property and equipment increased by approximately RMB1.808 million from approximately RMB8,000 for the six months ended 28 February 2022 to approximately RMB1.816 million for the six months ended 28 February 2023.
- (iii) Utilities expenses increased by approximately RMB561,000 from approximately RMB2,000 for the six months ended 28 February 2022 to approximately RMB563,000 for the six months ended 28 February 2023.
- (iv) Office expenses increased by approximately RMB249,000, or 2,075%, from approximately RMB12,000 for the six months ended 28 February 2022 to approximately RMB261,000 for the six months ended 28 February 2023.
- (v) Rental and property management fees amounted to approximately RMB472,000 for the six months ended 28 February 2023.
- (vi) Repairs and maintenance expenses increased by approximately RMB235,000 (or 810.3%) from approximately RMB29,000 for the six months ended 28 February 2022 to approximately RMB264,000 for the six months ended 28 February 2023.
- (vii) Training expenses increased by approximately RMB77,000 (or 550%) from approximately RMB14,000 for the six months ended 28 February 2022 to approximately RMB91,000 for the six months ended 28 February 2023.
- (viii) The canteen operation cost increased by approximately RMB10.2 million (or 2,320.5%) from approximately RMB400,000 for the six months ended 28 February 2022 to approximately RMB10.7 million for the six months ended 28 February 2023. The increase was mainly due to the increase in costs as more food ingredients were required for the canteen to serve more students.
- (ix) Other costs increased by approximately RMB400,000 (or 162.5%) from approximately RMB200,000 for the six months ended 28 February 2022 to approximately RMB600,000 for the six months ended 28 February 2023.



## GROSS PROFIT AND GROSS PROFIT MARGIN

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

	For the six months ended					
	28 February 2023			28 February 2022		
	Segment revenues RMB'000	Gross profits RMB'000	Gross profit margin %	Segment revenues RMB'000	Gross profits RMB'000	Gross profit margin %
Tuition fees and boarding fees	21,246	5,862	27.6%	4,090	1,296	31.7%
Education advisory and management service fees	20,503	2,070	10.1%	1,880	1,607	85.5%
Total	41,749	7,932	19.0%	5,970	2,903	48.6%

Our gross profit margin for tuition fees and boarding fees decreased from approximately 31.7% for the six months ended 28 February 2022 to approximately 27.6% for the six months ended 28 February 2023. The decrease in gross profit margin for tuition fees and boarding fees was mainly due to the increase in the recognition of depreciation of fixed assets of the Tianfu high schools and the impact of the pandemic on kindergartens. Gross profit margin of education advisory and management services fees decreased from approximately 85.5% for the six months ended 28 February 2022 to approximately 10.1% for the six months ended 28 February 2023. The decrease in gross profit margin of education advisory and management service fees was mainly due to the business restructuring of the disclosed kindergartens under the Group providing education management services.

## OTHER INCOME AND (EXPENSES)

Other income and (expenses) for the six months ended 28 February 2023 mainly included interest income from bank of approximately RMB48,000, the realisation of deferred income of approximately RMB767,000 and the gains from use of assets of RMB1,177,000.

## OTHER GAINS AND (LOSSES)

Other gains and (losses) for the six months ended 28 February 2023 mainly represented exchange gains and gains on bargain purchase from the acquisition of the business of Riverside Kindergarten and amortisation of financial guarantee contracts.



## **ADMINISTRATIVE EXPENSES**

Administrative expenses mainly 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.

Administrative expenses increased by approximately RMB2.0 million or 12.2% from approximately RMB16.5 million for the six months ended 28 February 2022 to approximately RMB18.5 million for the six months ended 28 February 2023, mainly due to the increase in administrative expenses in line with the Group's business development.

## **FINANCE COSTS**

Finance costs mainly include interest expenses on bank borrowings and interest-bearing payables to related parties.

Finance costs increased by approximately RMB3.82 million or 313.1% from approximately RMB1.22 million for the six months ended 28 February 2022 to approximately RMB5.04 million for the six months ended 28 February 2023, mainly due to the increase in interest expenses on bank loans of Lezhi Company and the recognition of interest expenses on payables to related parties for the six months ended 28 February 2023.

## **TAXATION**

Income tax expense amounted to approximately RMB192,000 and RMB195,000 for the six months ended 28 February 2022 and 28 February 2023, respectively. The increase was mainly due to the recognition of current corporate income tax.

## **PROFIT FOR THE PERIOD**

Our profit for the period presented as losses for the six months ended 28 February 2022 was approximately RMB14.1 million, decreased by approximately RMB6.3 million or 44.7% to approximately RMB7.8 million for the six months ended 28 February 2023. Such decrease was mainly due to (i) the increase in revenue of RMB35.7 million, the increase in cost of services of RMB30.7 million and the increase in gross profit of RMB5 million; (ii) the increase in other revenue of approximately RMB6 million and the increase in other income of approximately RMB1.1 million; (iii) the increase in administrative expenses of approximately RMB2 million; and (iv) the increase in finance costs of approximately RMB3.8 million.

## **CONTRACT LIABILITIES**

We have initially recorded the tuition fees and boarding fees received as a liability under contract liabilities and recognised such amounts as revenues on a pro rata basis over the relevant period of the applicable courses. Contract liabilities decreased by approximately RMB8.1 million (or 21.9%) from approximately RMB36.8 million on 31 August 2022 to approximately RMB28.8 million on 28 February 2023. Such decrease was mainly due to the completion of the provision of educational services corresponding to the collection of fees by the schools.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the Reporting Period, we mainly financed our operations through a combination of cash flows from our internal operations, proceeds from the Listing and short-term bank borrowings. As at 28 February 2023 and 28 February 2022, the short-term bank borrowings were RMB30.0 million, and carried interest at a fixed rate of 7%. Meanwhile, unsecured long-term borrowings with corporate guarantee of approximately RMB104.3 million are repayable within four years after the end of the Reporting Period, which decreased by RMB30 million from approximately RMB134.3 million as at 28 February 2022 to approximately RMB104.3 million as at 28 February 2023. The Group's bank borrowings carried a fixed interest rate of 7.0% and were mainly used to finance the working capital requirements of its operations and the construction of the schools. The Group's cash and cash equivalents are denominated in RMB. Our cash and cash equivalents amounted to approximately RMB155.1 million and RMB35.3 million as at 31 August 2022 and 28 February 2023, respectively.

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

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for working capital and capital expenditure needs. During the six months ended 28 February 2023, we did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact on our business, financial condition or results of operations.

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

	<b>For the six months ended</b>	
	<b>28 February</b>	28 February
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in operating activities	(6,844)	90,342
Net cash used in investing activities	(3,748)	(105,556)
Net cash from (used in) financing activities	<u>(109,162)</u>	<u>(20,673)</u>
Net increase (decrease) in cash and cash equivalents	(119,754)	(35,887)
Cash and cash equivalents at the beginning of the period	155,072	93,214
Effect of foreign exchange rate changes	—	—
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>35,318</u></u>	<u><u>57,327</u></u>

#### **CAPITAL EXPENDITURE**

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) intended capital contribution. 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>	28 February
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Unaudited)
Payment for property, plant and equipment	(3,809)	(110,684)
Proceeds from disposal of property and equipment	1	128
Returned share capital from a subsidiary	—	5,000
Net cash inflow from business acquisition of Riverside Kindergarten	60	—
Net cash used in investing activities	<u><u>(3,748)</u></u>	<u><u>(105,556)</u></u>

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

## **GEARING RATIO**

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

Our gearing ratio decreased from approximately 89.3% as at 31 August 2022 to approximately 78.3% as at 28 February 2023 due to the decrease in gearing ratio as the Group repaid bank borrowings of RMB25.8 million during the six months ended 28 February 2023.

## **INTEREST RATE RISK**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and incurred 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 2023, 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 GROUP ASSETS**

There were no material charges on the Group's assets as at 28 February 2023.

## **CONTINGENT LIABILITIES**

As at 28 February 2023, the Group did not have any material contingent liabilities (31 August 2022: nil).

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

For the six months ended 28 February 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

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

On 10 April 2023, the Group entered into the Amended Agreements (as defined below) for the acquisition of 51% equity interest in two target companies engaged in vocational education. For further details, please refer to the paragraph headed "Events after the reporting period" below. The Group has no other significant investments and future plans for capital assets.

## **SOURCE AND USE OF FUNDS AND FUTURE FINANCIAL POLICIES**

As at 28 February 2023, the Group recorded net current liabilities of approximately RMB58.0 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 funds 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 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/will be applied in the manner as set out in the section headed “Future plans and use of proceeds” of the prospectus of the Company dated 19 July 2018. As at 28 February 2023, the Company applied the net proceeds in the following manner:

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 the 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 licensed financial institutions as short-term interest-bearing deposits. Due to impact of the COVID-19 and adjustment to the development strategy of the Group, our commencement plan of the US School may be suspended, and we will make further announcement as and when appropriate.

## SIGNIFICANT INVESTMENTS HELD

As at 28 February 2023, the Group held approximately 33.3% equity interests in Chengdu Tongxing Wanbang Enterprise Management Centre LLP\* (成都同興萬邦企業管理中心(有限合夥)) with investment amounting to RMB17.5 million. The entity is primarily engaged in the business of providing cultural activities services including display services in conferences and exhibitions, organising large-scale events and corporate image planning services. As the proposed investment project of the entity is still at the initial phase, the entity has no income. With daily operational expenditure incurred, the Group recorded an attributable loss from the entity of approximately RMB3,000 in the six months ended 28 February 2023.

## **SIGNIFICANT LEGAL PROCEEDINGS**

For the six months ended 28 February 2023, the Group had not been involved in any significant legal proceedings or arbitration. To the best of the knowledge and belief of the Directors, there are no significant legal proceedings or claims pending or threatened against the Group.

## **EMPLOYEE BENEFITS**

As at 28 February 2023, the Group had 179 employees (as at 28 February 2022: 78). The Group participates in various employee benefit plans, including provident fund, housing, pension, medical insurance and unemployment insurance. The Company has also offered 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 six months ended 28 February 2023, the staff costs (including directors' fees) amounted to approximately RMB12.6 million (28 February 2022: approximately RMB2.3 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. On 13 May 2021, the Company granted 1,000,000 share options at an exercise price of HK\$0.598 per share exercisable during the period from 13 May 2021 to 12 May 2031. As at 28 February 2023, there were 1,000,000 share options outstanding under the Share Option Scheme.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividends for the six months ended 28 February 2023.

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

During the six months ended 28 February 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.



## EVENTS AFTER THE PERIOD

On 8 December 2021:

- (i) the Company, Sichuan Yunmao Education Management Company Limited\* (四川云懋教育管理有限公司) (“**Sichuan Yunmao**”), Chengdu Bomao Education Management Company Limited\* (成都博懋教育管理有限公司) (“**Chengdu Bomao**”), Shenzhen Hongyuan Education Investment Company Limited\* (深圳弘遠教育投資有限公司) (“**Shenzhen Hongyuan**”), Sichuan Zhengzhuo Industrial Company Limited\* (四川正卓實業有限公司) (“**Sichuan Zhengzhuo**”), Sichuan Zhengzhuo Education Investment Company Limited\* (四川正卓教育投資有限公司) (the “**Target Company A**”) and Chengdu Bojun entered into an equity transfer agreement, pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase, and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell 26.5% and 24.5% of the equity interest in the Target Company A, respectively, in the aggregate consideration of RMB283,050,000, out of which (a) RMB147,075,000 will be settled by cash, with the Prepayment used to set off part of such cash consideration to Shenzhen Hongyuan, and (b) RMB135,975,000 will be settled by allotment and issue of 195,371,993 consideration shares at the issue price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee); and
- (ii) the Company, Sichuan Yunmao, Chengdu Bomao, Shenzhen Hongyuan, Sichuan Zhengzhuo and Sichuan Gaojiao Investment Company Limited\* (四川高教投資有限公司) (the “**Target Company B**”) entered into an equity transfer agreement, pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase, and each of Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell 25.5% of the equity interest in the Target Company B, in the aggregate consideration of RMB26,010,000, out of which (i) RMB13,005,000 will be settled by cash to Shenzhen Hongyuan; and (ii) RMB13,005,000 will be settled by allotment and issue of 18,685,881 consideration shares at the issue price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee),

(together the “**Equity Transfer Agreements**”).

The parties entered into amended agreements to the Equity Transfer Agreements (the “**Amended Agreements**”) to amend and restate the terms of the above on 10 April 2023. According to the amended agreements, (i) Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell 26.5% and 24.5% of the equity interest in the Target Company A, respectively, in the aggregate consideration of RMB283,050,000, with (i) the earnest money of RMB73,500,000 and (ii) partial consideration of RMB51,810,044.22 being settled by allotment and issue of 74,441,857 consideration Shares at HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee);



and (ii) Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell 25.5% each of the equity interest in the Target Company B in the aggregate consideration of RMB26,010,000, out of which partial consideration of RMB4,760,922.98 shall be settled by allotment and issue of 6,840,603 consideration Shares at HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee).

Chengdu Bomao will enter into a new set of Structured Contracts with Sichuan Yunmao, members of the Target Group and Sichuan Yunmao, which will become effective upon completion of the above agreements. Thus, Sichuan Yunmao and the Target Group will become Consolidated Affiliated Entities upon the completion of the above agreements. The Group will obtain control over and derive economic benefits from the Target Group and Sichuan Yunmao, and the financial results of which will be consolidated into the accounts of the Group.

One of the subsidiaries of the Target Company A will also renew a loan agreement with the Target Company B of RMB30.0 million to 31 December 2024. Upon completion of the above agreements, it will constitute financial assistance by the Group to which is a connected person at subsidiary level, and, thus, constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, the Group is in the process of preparing a circular in respect of the transaction.

For details, please refer to the announcements of the Company dated 8 December 2021, 31 January 2022 and 28 February 2022.

## **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**”) as set out in the 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 Model Code for the six months ended 28 February 2023.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board commits to achieving high corporate governance standards in order to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Since 31 July 2018, the date on which the shares of the Company were listed and traded on the Stock Exchange, the Company has applied the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules and complied with all the applicable code provisions, saved for the deviation from CG Code provision C.2.1 which is 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 C.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 the 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 2023. The Audit Committee has also held 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 of the Company.

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

This interim results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://bojuneducation.com>. The interim report of the Group for the six months ended 28 February 2023 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.

## **ACKNOWLEDGEMENT**

The Company would like to express its sincere appreciation for the unremitting effort and dedication made by the Board, the management and all of its staff members, as well as the continuous support to the Group from the shareholders 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, 27 April 2023

*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 purposes only*