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博駿教育
BOJUN EDU

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 29 FEBRUARY 2024**

HIGHLIGHTS

	29 February 2024	28 February 2023	Change	Change in percentage
Total Student Enrolment	32,693	854	31,839	3,728.2%
Six months ended				
	29 February 2024 RMB'000 (unaudited)	28 February 2023 RMB'000 (unaudited)	Change RMB'000	Change in percentage
Revenue	227,480	41,749	185,731	444.9%
Gross profit	106,721	7,903	98,818	1,250.4%
Profit for the period	3,902	(7,765)	11,607	150.3%
Profit for the period attributable to owners of the Company	5,834	(7,765)	13,599	175.1%
Basic earnings per share (RMB cent)	0.66	(0.94)	1.60	170.2%
Diluted earnings per share (RMB cent)	0.66	N/A	N/A	N/A

INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2024

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 29 February 2024 (the “**Reporting Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 29 February 2024

		Six months ended	
		29 February	28 February
		2024	2023
	<i>Notes</i>	RMB’000	RMB’000
		(unaudited)	(unaudited)
Revenue from provision of education service	4	227,480	41,749
Costs of services		(120,759)	(33,817)
Gross profit		106,721	7,932
Other income	5	6,523	1,992
Other net gains	6	19,138	6,088
Share of loss of an associate		—	(3)
Administrative expenses		(53,318)	(18,542)
Selling expense		(26,996)	—
Finance costs	7	(44,880)	(5,037)
Profit (loss) before tax	9	7,188	(7,570)
Income tax expenses	8	(3,286)	(195)
Profit (loss) for the period	9	3,902	(7,765)
<i>Other comprehensive Income that will not be reclassified subsequently to profit or loss:</i>		—	—
Total comprehensive income for the period		3,902	(7,765)
		3,902	(7,765)
Total comprehensive income for the period attributable to			
— Owners of the Company		5,834	(7,765)
— Non-controlling interests		(1,932)	—
		3,902	(7,765)
Earnings per share — Basic (RMB)	10	0.66	(0.94)
Earnings per share — Diluted (RMB)		0.66	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 29 February 2024

		As at 29 February 2024 RMB'000 (unaudited)	31 August 2023 RMB'000 (audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,655,472	2,671,943
Right-of-use assets		763,238	600,285
Intangible assets		3,446	3,782
Goodwill		12,105	12,105
Interest in an associate		–	17,507
Deferred tax assets		17,097	17,289
Other receivables and deposits	12	103,712	94,544
Total non-current assets		3,555,070	3,417,455
CURRENT ASSETS			
Other receivables, deposits and prepayments	12	126,001	120,630
Amounts due from related companies	13	107,579	28,766
Bank balances and cash	14	171,635	346,553
Restricted bank deposits	14	–	150,000
Assets held for sale		17,507	–
Total current assets		422,722	645,949
TOTAL ASSETS		3,977,792	4,063,404
CURRENT LIABILITIES			
Other payables and accruals	15	478,048	461,457
Contract liabilities	16	197,189	277,041
Amounts due to related companies	13	151,328	137,322
Lease liabilities		271	175
Income tax payable		13,517	9,759
Bank and other borrowings	17	402,575	704,991
Financial guarantee liabilities		3,787	7,670
Total current liabilities		1,246,715	1,598,415
NET CURRENT LIABILITIES		(823,993)	(952,466)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,731,077	2,464,989

		As at	
		29 February	31 August
		2024	2023
	Notes	RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT LIABILITIES			
Lease liabilities		–	186
Bank and other borrowings	17	1,022,857	802,282
Other payables	15	67,436	166,410
Amounts due to related companies	13	594,645	613,637
Deferred revenue	18	423,189	272,363
Deferred tax liabilities		63,973	64,836
		<u>2,172,100</u>	<u>1,919,528</u>
Total non-current liabilities		<u>2,172,100</u>	<u>1,919,528</u>
NET ASSETS		<u><u>558,977</u></u>	<u><u>545,461</u></u>
CAPITAL AND RESERVES			
Share capital		7,890	7,138
Reserves		235,624	230,542
		<u>243,514</u>	<u>237,680</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>243,514</u>	<u>237,680</u>
Controlling interests		315,463	307,595
		<u>315,463</u>	<u>307,595</u>
TOTAL EQUITY		<u><u>558,977</u></u>	<u><u>545,275</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2024

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 shares of the Company (the “**Shares(s)**”) 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 and consolidated affiliated entities of the Company 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 D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

For the six months ended 29 February 2024, the Group incurred net current liabilities of approximately RMB824.0 million. Moreover, there are uncertainties of the impact of the 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**”) indicating 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 29 February 2024 are the same as those used in the preparation of the annual consolidated financial statements for the year ended 31 August 2023, 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 2023. 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 Chengdu Wuhou District Youshi Lidu Kindergarten Company Limited* (成都市武侯區幼師麗都幼兒園有限公司) (formerly known as Chengdu Youshi Lidu Experimental Kindergarten* (成都幼師麗都實驗幼兒園) (“**Lidu Kindergarten**”), Chengdu Youshi Riverside Impression Experimental Kindergarten* (成都幼師河濱印象實驗幼兒園) (“**Riverside Kindergarten**”), 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) (“**Tianfu High School**”), Chengdu Daiyi County Zhengzhuo Education Vocational School* (成都市大邑縣正卓教育職業學校) (formerly known as Sichuan Winshare Vocational School* (四川文軒職業學校)) (“**Vocational School**”), Sichuan Winshare Vocational College (Dayi Campus)* (四川文軒職業學院大邑校區) (“**Vocational College**”) 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.

	Degree education and profitable education services RMB'000	Education consultancy and management services RMB'000	Total RMB'000
Six months ended 29 February 2024			
Tuition fees and boarding fees	221,713	–	221,713
Educational consultancy and management services fee	–	5,767	5,767
Total (unaudited)	<u>221,713</u>	<u>5,767</u>	<u>227,480</u>
Six months ended 28 February 2023			
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>

5. OTHER INCOME

	Six months ended	
	29 February 2024 RMB'000 (unaudited)	28 February 2023 RMB'000 (unaudited)
Bank interest income	278	48
Amortisation of asset-related government grants	2,922	767
Others	3,323	1,177
	<u>6,523</u>	<u>1,992</u>

6. OTHER NET GAINS

	Six months ended	
	29 February 2024 RMB'000 (unaudited)	28 February 2023 RMB'000 (unaudited)
Exchange gain	251	191
Gain on bargain acquisition of Riverside Kindergarten	–	672
Gain on disposals of subsidiaries	31	–
Amortisation of financial guarantee contracts	3,881	5,298
Unwinding of discount on consideration payables	(6,719)	–
Waiver of amount due to Pengzhou Bojun School	19,226	–
Others	2,836	(73)
	<u>19,138</u>	<u>6,088</u>

7. FINANCE COSTS

	Six months ended	
	29 February 2024	28 February 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Bank borrowings	23,631	2,457
Others	21,249	2,580
	<u>44,880</u>	<u>5,037</u>

8. INCOME TAX EXPENSE

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

Under the Western Development Tax Incentive Scheme* (西部大開發稅收優惠計劃), certain subsidiaries of the Group engaged in preschool education and vocational education are subject to the preferential tax rate of 15% on their respective taxable income with an effective date on 1 January 2011.

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

	Six months ended	
	29 February 2024	28 February 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Tax expense includes:		
Current tax	3,957	(3)
Deferred tax	(671)	(192)
	<u>3,286</u>	<u>(195)</u>

9. PROFIT (LOSS) FOR THE PERIOD

Profit (Loss) before tax has been arrived at after charging:

	Six months ended	
	29 February 2024	28 February 2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Directors' emoluments	890	875
Other staff costs		
— Salaries and other benefits	49,323	20,605
— Employee benefits	702	—
— Retirement benefit scheme	5,333	1,259
Total staff costs	56,248	22,739
Depreciation of property	50,849	5,850
Depreciation of right-of-use assets	6,739	1,132
Auditors' remuneration	850	1,942

10. EARNINGS PER SHARE

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

	Six months ended	
	29 February 2024	28 February 2023
	(Unaudited)	(Unaudited)
Earnings/(losses)		
Profit/(loss) for the period attributable to the owners of the Company, used in the basic and diluted earnings per share calculation (RMB'000)	5,834	(7,765)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	881,701,328	821,856,000
Effect of dilutive potential ordinary shares arising from share options (Note)	261,353	—
Weighted average number of ordinary shares used in diluted earnings per share calculation	881,962,680	821,856,000

Note: No diluted losses per share were presented for the six months ended 28 February 2023, as there was no potential dilutive share outstanding during that period.

11. PROPERTY, PLANT AND EQUIPMENT AND MOVEMENTS

As at 29 February 2024, the closing balance of the Group's fixed assets (excluding depreciation) comprised of: buildings of approximately RMB2,168,125,000, furniture, fixtures and equipment of approximately RMB244,505,000, motor vehicles of approximately RMB9,836,000, electronic equipment of approximately RMB496,000, leasehold improvements of approximately RMB475,000, construction in progress of approximately RMB232,039,000, totaling approximately RMB2,655,472,000.

During the Reporting Period, the Group's fixed asset decreased by approximately RMB16,471,000 from approximately RMB2,671,943,000 as at 31 August 2023. Among which, the new depreciation during the Period amounted to RMB 50,849,000, and the newly added fixtures and equipment amounted to approximately RMB 34,380,000.

12. OTHER RECEIVABLES

	29 February 2024 RMB'000 (unaudited)	31 August 2023 RMB'000 (audited)
Prepayment to an independent construction contractor	50,000⁽ⁱ⁾	50,000
Secured deposits for other borrowings (<i>Note 17</i>)	25,200	25,200
Deposits for establishment of school campus	3,145⁽ⁱⁱ⁾	3,145
Deposit for a parcel of land	—⁽ⁱⁱⁱ⁾	2,729
Other tax receivables	56,703^(iv)	50,310
Advances to staffs	8,940	11,006
Amount due from Hongde Guanghua (as defined below)	32,000^(v)	32,000
Loan and other receivables from Daying Estate	5,930^(vi)	17,711
Consideration receivable from the disposal of equity interest	13,650^(vii)	12,933
Prepaid expenses	2,380	3,879
Other deposits and receivables	31,765	6,261
Total	229,713	215,174
— Current assets	126,001	120,630
— Non-current assets	103,712	94,544

Notes:

- (i) The balance as at 29 February 2024 represented the upfront payment paid to an independent contractor for the expansion plan of the phase 2 school campus and facilities in the Vocational College.
- (ii) The balance represents the non-interest bearing deposits placed to local government authorities for the purpose of establishment of school campus amounting to approximately RMB3,145,000 (31 August 2023: RMB3,145,000).
- (iii) The balance as at 31 August 2023 represented a deposit for a parcel of land reserved for educational use with a term of 50 years. The parcel of land was acquired by the Group subsequently in October 2023 and the deposit was included as part of the consideration.

- (iv) The balance as at 29 February 2024 mainly represented the deductible input value-added tax generated from the procurement of construction services for the Group's buildings and facilities.
- (v) The balance represents a refundable investment fund due from Sichuan Hongde Guanghua Education Management Company Limited* (四川弘德光華教育管理有限公司) (“**Hongde Guanghua**”) in relation to the disposal of Pengzhou Bojun School* (彭州市博駿學校) (“**Pengzhou School**”), which was one of the subsidiaries or Consolidated Affiliated Entities the results of which have been deconsolidated from that of the Group due to implementation of the Implementation Regulations with effect from 1 September 2021 (the “**Affected Entities**”). An amount of approximately RMB8,000,000 was refunded during the year ended 29 February 2024. For details, please refer to the announcements of the Company dated 27 August 2021, 30 September 2021, 26 October 2021, 20 May 2022, 10 June 2022, 31 January 2024 and 15 April 2024 and the circular of the Company dated 30 September 2021. The amount is guaranteed by independent third parties, non-interest bearing and due on demand. The Directors expected to gradually recover the receivables on or before by 30 September 2028.
- (vi) The balances as at 29 February 2024 represented the receivables due from Daying Tianshi Real Estate Company Limited* (大英天世置業有限公司) (“**Daying Estate**”), a former subsidiary of Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) (“**Sichuan Gaojiao**”) prior to the completion of the acquisition of 51% equity interest in Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (formerly known as Sichuan Wenxuan Zhuotai Investment Company Limited* (四川文軒卓泰投資有限公司) and Sichuan Taihe Zhengzhuo Education Investment Company Limited* (四川泰合正卓教育投資有限公司)) (“**Sichuan Zhengzhuo**”) and their subsidiaries and Sichuan Gaojiao (the “**Acquisition**”) on 31 August 2023. The gross amounts of the outstanding receivables amounted to approximately RMB7,564,841.25 (31 August 2023: RMB22,566,000) before the fair value adjustment arising in the Acquisition. The amount of the remaining gross outstanding receivables represents the former current account with Sichuan Gaojiao which is unsecured, non-interest bearing and without a fixed repayment term.
- (vii) The balances as at 29 February 2024 represented the remaining consideration receivable due from an independent third party for the disposal of the entire equity interest in Daying Estate. The gross amounts of the consideration receivables amounted to approximately RMB19,500,000 before the fair value adjustment arising in the Acquisition. The remaining consideration receivable is expected to be settled on or before the end of 2024.

13. AMOUNTS DUE FROM RELATED COMPANIES

Receivables

	29 February 2024 RMB'000 (unaudited)	31 August 2023 RMB'000 (audited)
Name		
Non-trade related		
Sichuan Bojun Education Investment Management Company Limited	426	426
Shenzhen Hongyuan Education Investment Company Limited* (深圳弘遠教育投資有限公司) (“Shenzhen Hongyuan”)	32,432	11,507
Affected Entities	<u>74,427</u>	<u>16,539</u>
Trade related		
Chengdu Hengyu Industrial Company Limited* (成都恒宇實業有限公司) (“Chengdu Hengyu”)	294	294
Total, presented under current assets	<u>107,579</u>	<u>28,766</u>

As at 29 February 2024 and 31 August 2023, the trade-related balance represents the prepaid rental expenses and is aged within one year.

Amounts due to related companies

	29 February 2024 RMB'000 (unaudited)	31 August 2023 RMB'000 (audited)
Name		
Affected Entities:		
— Nanjiang Bojun School* (南江博駿學校)	283,152	280,892
— Wangcang Bojun School* (旺蒼博駿公學)	214,348	228,972
— Lezhi Bojun School* (樂至博駿公學)	97,145	103,773
Sichuan Zhengzhuo Industrial Company Limited* (四川正卓實業有限公司) (“Zhengzhuo Industrial”)	151,328	137,322
	747,649	750,959
Less: current liabilities	(151,328)	(137,322)
	594,645	613,637

The balances with the Affected Entities represent the current accounts within the Group’s entities prior to the deconsolidation of the Affected Entities on 31 August 2021. The amounts due to the Affected Entities mainly represent the capital expenditures in relation to the establishment of the school buildings and facilities, which are the property, plant and equipment owned by the Group, partially paid by the Affected Entities in the previous years.

The amounts due to Nanjiang Bojun School, Wangcang Bojun School and Lezhi Bojun School are non-interest bearing, unsecured and repayable on 1 September 2036. Included in the balance with Nanjiang Bojun School, a principal amount of approximately RMB193,011,000 advanced by Nanjiang Bojun School to the Group during the year ended 31 August 2022 which was initially measured at its fair value using the effective interest method with an effective interest rate of 5.65%, resulting in a deemed contribution from the shareholder of approximately RMB104,644,000 recognised in other reserve. During the year ended 29 February 2024, unwinding of discount on the aforesaid principal amounted to approximately RMB2,660,892 was recognised in the profit or loss. The amounts due to Affected Entities as at 29 February 2024 were classified as non-current liabilities.

The amounts due to Zhengzhuo Industrial are unsecured, non-interest bearing and without fixed repayment terms.

14. BANK BALANCES

As 29 February 2024, other bank balances carry interest at prevailing market rates of 0.01%-0.55% (31 August 2023: 0.01%-0.55%). As at 31 August 2023, restricted bank deposits represent the secured bank deposits pledged for the Group's bank borrowings as at 31 August 2023 (Note 17). The restricted bank deposits carry interest at prevailing market rates of 0.25% to 0.35% per annum.

15. OTHER PAYABLES AND ACCRUALS

	29 February 2024 RMB'000 (unaudited)	31 August 2023 RMB'000 (audited)
Payables for purchases of property	248,481	251,610
Miscellaneous expenses received from students	11,254 ⁽ⁱ⁾	20,950
Payroll payables	6,804	10,083
Payables for scholarship	29,830 ⁽ⁱⁱ⁾	67,797
Others	126,973	77,945
Other tax payable	2,671	151
Deferred cash consideration	86,550 ⁽ⁱⁱⁱ⁾	166,410
Deposits	32,921	32,921
Total	545,484	627,867
— Current	478,048	461,457
— Non-current	67,436	166,410

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

(ii) The amount represents the subsidies received from different parties for distribution to students as scholarships to students.

(iii) The amount represents consideration payables to the non-controlling shareholders of the Group's subsidiaries, namely Shenzhen Hongyuan and Zhengzhuo Industrial, for the Acquisition on 31 August 2023. Remaining amounts of approximately RMB67,436,000 which are repayable after twelve months after the end of the Reporting Period in accordance with the relevant acquisition agreements were included in other payables as non-current liabilities.

16. CONTRACT LIABILITIES

	29 February 2024 RMB'000 (unaudited)	31 August 2023 RMB'000 (audited)
Tuition fees	181,528	250,904
Boarding fees	15,661	26,137
	197,189	277,041

17. BANK AND OTHER BORROWINGS

	29 February 2024 RMB'000 (unaudited)	31 August 2023 RMB'000 (audited)
Bank loans — secured	968,320 ⁽ⁱ⁾	866,120
Other borrowings — secured	457,112 ⁽ⁱⁱ⁾	641,153
	<u>1,425,432</u>	<u>1,507,273</u>
The carrying amounts of the above borrowings are repayable:		
On demand or within one year	402,575	704,991
Within a period of more than one year but not exceeding two years	221,802	367,195
Within a period more than two years but not exceeding five years	512,235	401,337
Within a period of more than five years	288,820	33,750
	<u>1,425,432</u>	<u>1,507,273</u>
Less: Amounts due within one year shown under current liabilities	(402,575)	(704,991)
Amounts shown under non-current liabilities	<u>1,022,857</u>	<u>802,282</u>

Notes:

- (i) As at 29 February 2024, total secured bank loans of approximately RMB968,320,000 were secured by pledging (a) the equity interests in the Group's subsidiaries; and (b) tuition and boarding fee receivable rights of various schools including Vocational College, Vocational School, a school among the Affected Entities and Tianfu High School. In addition, the aforesaid secured bank loans were guaranteed by (a) the non-controlling shareholders of the Group's subsidiaries and their related parties; (b) certain directors of the Group's subsidiaries; (c) the Company; (d) Chengdu Tianfu Bojun Education Management Company Limited* (成都天府博駿教育管理有限公司) (“**Chengdu Bojun**”); (e) Chengdu Mingxian Education Investment Company Limited* (成都銘賢教育投資有限公司) (“**Chengdu Mingxian**”); (f) a former executive Director; and (g) a shareholder of the Company and his spouse.

As at 31 August 2023, total secured bank loans of approximately RMB866,120,000 were secured by pledging (a) restricted bank deposits of approximately RMB150,000,000; (b) the equity interests in the Group's subsidiaries; and (c) tuition and boarding fee receivable rights of various schools including Vocational College, Vocational School, a school of the Affected Entities and Tianfu High School. In addition, the aforesaid secured bank loans were guaranteed by (a) the non-controlling shareholders of the Group's subsidiaries and their related parties; (b) certain directors of the Group's subsidiaries; (c) the Company; (d) Chengdu Bojun; (e) Chengdu Mingxian; (f) a former executive director; and (g) a shareholder of the Company and his spouse.

- (ii) As at 29 February 2024, total secured other borrowings from other financial institutions of approximately RMB451,112,000 were secured by pledging (a) secured deposits of approximately RMB25,200,000 (Note 21); and (b) tuition and boarding fee receivable rights of Vocational College. In addition, the aforesaid other borrowings were guaranteed by (a) the non-controlling shareholders of the Group's subsidiaries and their related parties; and (b) certain directors of the Group's subsidiaries (31 August 2023: no changes in guarantee measures).

18. 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.

19. DIVIDEND

No dividend has paid or declared by the Company for the six months ended 29 February 2024, nor has any dividend been proposed subsequent to 29 February 2024 (for the six months ended 28 February 2023: Nil).

20. RELATED PARTY TRANSACTIONS

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

		Six months ended	
		29 February	28 February
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Entities	Nature of transactions		
Affected Entities	Provision of education management services	5,767	7,622
Affected Entities	Recharge income for the occupation of school campus	1,243	1,232
Chengdu Hengyu	Rental expenses incurred	187	93
		7,197	8,947

Compensation of key management personnel

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

		Six months ended	
		29 February	28 February
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(audited)
Short-term benefits		3,602	1,708
Post-employment benefits		74	34
		3,676	1,742

21. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 12 July 2018, the Company approved and adopted a share option scheme (the “**Scheme**”) which will remain in force for a period of 10 years from the date of its adoption.

(a) Granted on 13 May 2021

Pursuant to the announcement of the Company dated 13 May 2021, the Company granted to an eligible participant 1,000,000 share options to subscribe for ordinary Shares of HK\$0.01 each in the share capital of the Company at an exercise price of HK\$0.598 per Share.

The share options granted has a 10-year exercisable period and are vested immediately upon the date of grant.

The closing price of the Shares on the trading day immediately before the date of grant, was HK\$0.590 per Share.

The aggregate fair value of the share options determined at the date of grant based on the Hull-White trinomial model, was approximately HK\$314,000 (equivalent to approximately RMB262,000).

The following assumptions were used to calculate the fair values of share options granted on 13 May 2021:

Grant date share price (per share)	HK\$0.590
Exercise price (per share)	HK\$0.598
Contractual life	10 years
Expected volatility (%)	91.41%
Dividend yield (%)	0.00%
Risk-free interest rate (%)	1.19%

The Hull-White trinomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

(b) Granted on 17 August 2023

Pursuant to the announcement of the Company dated 17 August 2023, the Company granted to an eligible participant 5,000,000 share options to subscribe for ordinary Shares of HK\$0.01 each in the share capital of the Company at an exercise price of HK\$0.130 per share.

All of the share options granted to the eligible participant shall be vested on 18 August 2024. The share options granted shall be valid for 10 years and exercisable from 18 August 2024 to 16 August 2033 (both days inclusive).

The closing price of the Shares on the trading day immediately before the date of grant, was HK\$0.109 per Share.

The aggregate fair value of the share options determined at the date of grant based on the Hull-White trinomial model, was approximately HK\$314,000 (equivalent to approximately RMB292,000).

The following assumptions were used to calculate the fair values of share options granted on 17 August 2023:

Grant date share price (per share)	HK\$0.109
Exercise price (per share)	HK\$0.130
Contractual life	10 years
Expected volatility (%)	89.08%
Dividend yield (%)	0.00%
Risk-free interest rate (%)	4.02%

The Hull-White trinomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Details of the share options outstanding during the six months ended 29 February 2024 are as follows:

	Number of Share options	Weighted average exercise price HK\$
Outstanding as at 31 August 2023 (Audited)	6,000,000	0.208
Granted during six months ended 29 February 2024	—	—
Outstanding as at 29 February 2024 (Unaudited)	6,000,000	0.208
	Number of Share options	Weighted average exercise price HK\$
Outstanding as at 31 August 2022 (Audited)	1,000,000	0.598
Granted during six months ended 28 February 2023	—	—
Outstanding as at 28 February 2023 (Unaudited)	1,000,000	0.598

As at 29 February 2024, the number of share options exercisable is 1,000,000 (31 August 2023: 1,000,000). The options outstanding as at 29 February 2024 have a weighted average remaining contractual life of 9.08 years (31 August 2023: 9.6 years) and a weighted average exercise price of HK\$0.208 per share (31 August 2023: HK\$0.208 per share).

BUSINESS REVIEW

The Group is a leading private education service group in Chengdu City, Sichuan Province, the PRC, with a proven record of more than 22 years in the private education services sector. We operate our own kindergartens and high school and completed the acquisition of two vocational schools on 31 August 2023, successfully stepped into the vocational education industry.

OUR PHILOSOPHY IN EDUCATION

The Group adheres to the concepts of “Fusion of Chinese and Western, Combination of Arts and Science” (融貫中西，文理並蓄) and “Learn Intently in Pursuit of Knowledge and Caring for the World” (靜學問道，天下關懷). We strengthen the study of basic subjects according to the education rules and the law of growth of people. Meanwhile, we provide high-quality and all-round education services to our students through customised course design. Our vocational schools adhere to the school-running philosophy of “Governing the School According to the Law, Establishing the School with Morality; Establishing the School based on Market Demand, and Developing the School with Characteristics; Strengthening the School with Quality, and Promoting the School with Culture” (依法治校，以德譽校；市場立校，特色興校；品質強校，文化弘校), and establishes modern schools with modern educational ideas and concepts. With complete education, we cultivate modern people who are fully adapted to the development and competition of modern society. With the goal of “innovating the talent training model and highlighting the characteristics of higher vocational education” (創新人才培養模式，突出高職辦學特色), we actively reform the traditional school-running model in practise, innovate and cultivate talents, and efficiently meet the market demand for talents. In the Alumni Association’s 2024 ranking of private higher vocational colleges in China (Category II), the Vocational College ranks 53rd and is categorised as a private higher vocational colleges in China.

Our Schools

We are a leading private education service group in Chengdu City, Sichuan Province, the PRC, and operated three basic education schools and two vocational education schools based on the 22 years of experience in operating private schools in Sichuan Province. As of 29 February 2024, the Group's schools had an enrolment of 32,693 students. On 14 May 2021, the State Council of the PRC promulgated the Implementation Regulations 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 Entities has been classified as the discontinued operations. The Group has taken measures to optimise its operating structure to mitigate the impact of the Implementation Regulations. Relevant measures included the transformation kindergartens into for-profit organisations and acquisition of vocational education schools.

The following sets out the types of education provided by each of our schools as at 29 February 2024:

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

OUR STUDENTS

As of 29 February 2024, we had an enrolment of 32,693 students, including 193 kindergarten students, 967 high school students and 31,533 vocational school students.

Number of students by school sections	Student enrolment as at 29 February 2024	Student enrolment as at 28 February 2023	Change	Change in percentage
High school	967	576	391	67.9%
Kindergarten	193	278	(85)	(30.6%)
Vocational College	25,122	–	25,122	N/A
Vocational school	6,411	–	6,411	N/A

Tuition and boarding fees

For high schools, our annual tuition fees for the 2023/2024 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 2022/2023 school year. For kindergartens, our annual tuition fees for the 2023/2024 school year ranged from RMB44,160 to RMB46,560 per student. The fees charged remained unchanged when compared to the 2022/2023 school year.

For vocational schools, the tuition fees for the 2023/2024 school year charged by the Vocational College ranged from RMB13,550 to RMB14,000, while boarding fees ranging from RMB1,400 to RMB3,300 per school year was charged. The tuition fees charged by the Vocational School ranged from RMB4,150 to RMB4,250, while boarding fees ranged from RMB1,000 to RMB1,400 per school year was charged.

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

Teachers 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 wellbeing 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.

School sections	Number of Teachers As at 29 February 2024	Number of Teachers As at 28 February 2023	Change	Change in percentage
High school	71	47	24	51.1%
Kindergarten	28	46	(18)	(39.1%)
Vocational College	1,559	–	1,559	N/A
Vocational school	407	–	407	N/A

OUR BUSINESS DEVELOPMENT STRATEGIES AND PLANS

Increase Investments in the Operation of Vocational Education Schools

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

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

The Group completed the Acquisition on 31 August 2023, and currently owns two vocational schools, namely the Vocational College and the Vocational School. The Vocational College is a full-time general higher vocational education institute approved by the People's Government of Sichuan Province and has registered with the Ministry of Education. The Vocational College started its operations in 1993, consists of 6 secondary colleges, offering 43 courses, and currently includes two campuses with campus area of more than 2,580 acres and gross floor area of over 700,000 square metres. The Chengdu campus of the Vocational School and the Vocational College are in the same place and these two schools share resources such as teachers and equipment. There are a total of more than 1,900 full-time teachers and over 31,000 enrolled students in these two schools. The Vocational College's enrolment number has been growing in recent years, and its enrolment scale has always been in the first echelon of private vocational colleges in Sichuan Province. With the goal of "innovating talent training models and highlighting the characteristics of higher vocational education", the college actively reforms the traditional school operation model in school practises, innovatively cultivates talents, and adapts to the market's demand for talents. Graduates have been widely recognised by the society. The college has conducted exchanges and cooperation with various universities in China and abroad, and has also established good school-enterprise cooperation relationships with more than 1,000 large and medium-sized enterprises and institutions, and implemented "school-enterprise cooperation and targeted training." The Vocational College plans to continue to improve conditions and expand its scale, striving to create a national level demonstration vocational college. A new campus under construction is expected to be completed in 2025, and will be able to accommodate 75,000 students. The Vocational College will focus on improving its school-running standards, setting up a modern vocational education system, and improving the school-running standards. In the 15th Five-Year Plan for the development of national education, the Vocational College will be established as a comprehensive undergraduate college to realise the vertical integration of "secondary vocational school — higher vocational school — vocational undergraduate school", and build a modern vocational education and training system. We will strive to build the college as a high-level technical university with domestic influence and distinctive educational characteristics.

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

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

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

ONGOING 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.

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 affiliated kindergartens, the Group is also entrusted with provision of kindergarten teaching staff. During the Reporting Period, the Group provides kindergarten education management services to one connected kindergarten.

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 29 February 2024.

LATEST REGULATORY DEVELOPMENTS

The Implementation Regulations

On 14 May 2021, the State Council promulgated the Implementation Regulations, which became effective from 1 September 2021, which included: (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 advisers 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 Entities from the consolidated financial statements with effect from 31 August 2021 and the carrying value of the net assets of the Affected Entities for the year ended 31 August 2021 has been deconsolidated in the Group's consolidated financial statements. The operations of the Affected Entities have been classified as discontinued operations for the year 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.

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

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

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

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

FINANCIAL REVIEW

Revenue

We derive revenue from tuition fees and boarding fees 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					
	29 February 2024		28 February 2023			
	<i>Percentage of</i>		<i>Percentage of</i>		<i>Increase/</i>	
	<i>total revenue</i>		<i>total revenue</i>		<i>(Decrease)</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>(Decrease)</i>	<i>%</i>
Tuition fees and boarding fees	221,713	97.5%	21,245	50.9%	200,468	943.6%
Education advisory and management service fees	5,767	2.5%	20,504	49.1%	(14,737)	(71.9%)
	<u>227,480</u>	<u>100.0%</u>	<u>41,749</u>	<u>100.0%</u>	<u>185,731.00</u>	<u>444.9%</u>

Our revenue increased by approximately RMB185.7 million (or 444.9%) from approximately RMB41.8 million for the six months ended 28 February 2023 to approximately RMB227.5 million for the six months ended 29 February 2024. The increase was mainly because the Group completed the Acquisition on 31 August 2023. This Acquisition was part of the Group's business strategy to expand in the field of vocational education. Meanwhile, it is expected to achieve synergy with the existing basic education sector.

The vocational education segment recorded income of approximately RMB189.9 million during the six months ended 29 February 2024. For vocational schools, the Vocational College recorded student enrolment of over 25,000 as at 29 February 2024, and the tuition fees for the 2023/2024 school year charged by the Vocational College ranged from RMB13,550 to RMB14,000, while boarding fees ranging from RMB1,400 to RMB3,300 per school year was charged. The Vocational School recorded student enrolment of over 6,400 as at 29 February 2024, and the tuition fees charged by the Vocational School ranged from RMB4,150 to RMB4,250, while boarding fees ranged from RMB1,000 to RMB1,400 per school year was charged.

Student enrolment recorded of Tianfu High School for 2023/2024 school year increased from 576 to 967 which contributed to an increase of RMB7.9 million in tuition fees and boarding fees as compared with the same period last year.

COSTS OF SERVICES

Our cost of services mainly consists of staff costs, depreciation, rental expenses and other costs. Cost of services accounted for approximately 81.0% and 53.0% of our total revenue for the six months ended 28 February 2023 and 29 February 2024, respectively. The following table sets forth a breakdown of the major components of our cost of services for the periods indicated:

		For the six months ended			
		29 February 2024	28 February 2023	Increase/ (Decrease)	%
		RMB'000	RMB'000		
Staff costs	(i)	34,965	19,076	15,889	83.3%
Depreciation of property and equipment	(ii)	36,685	1,816	34,869	1,920.1%
Depreciation of right-of- use assets	(iii)	3,744	351	3,393	966.7%
Office expenses		1,827	261	1,566	600.0%
Repair and maintenance		5,412	264	5,148	1,950.0%
Canteen operating costs	(iv)	4,032	10,645	(6,613)	(62.1%)
Others		34,094	1,404	32,690	2,328.3%
Total		120,759	33,817	86,942	257.1%

The cost of services increased by approximately RMB86.9 million (or 257.1%) from approximately RMB33.8 million for the six months ended 28 February 2023 to approximately RMB120.8 million for the six months ended 29 February 2024. The increase was mainly because the Group completed the Acquisition on 31 August 2023. This Acquisition was part of the Group's business strategy to expand in the field of vocational education. Meanwhile, it is expected to achieve synergy with the existing basic education sector.

- (i) Staff costs increased by approximately RMB15.9 million (or 83.3%) from approximately RMB19.1 million for the six months ended 28 February 2023 to approximately RMB35.0 million for the six months ended 29 February 2024. The significant increase of costs was due to the increase in the number of employees. Sichuan Zhengzhuo owned two vocational schools, namely the Vocational School and the Vocational College. These two schools have more than 1,900 teachers.
- (ii) Depreciation expenses of property and equipment increased by approximately RMB34.9 million from approximately RMB1.8 million for the six months ended 28 February 2023 to approximately RMB36.7 million for the six months ended 29 February 2024. The increase was mainly because the Group completed the Acquisition on 31 August 2023.

- (iii) Depreciation expenses of right-of-use assets increased by approximately RMB3.4 million from approximately RMB0.3 million for the six months ended 28 February 2023 to approximately RMB3.7 million for the six months ended 29 February 2024. The increase was mainly because the Group completed the Acquisition on 31 August 2023. The Vocational College currently owns two campuses, with area of more than 2,580 acres. The gross floor area is more than 700,000 square metres.
- (iv) Canteen operation cost decreased from approximately 10.6 million for the six months ended 28 February 2023 to approximately RMB4.0 million for the six months ended 29 February 2024 , mainly due to the accordingly decrease of the Canteen operation income.

GROSS PROFIT AND GROSS PROFIT MARGIN

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

	For the six months ended					
	29 February 2024			28 February 2023		
	Segment revenue	Gross profit	Gross profit margin	Segment revenue	Gross profit	Gross profit margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Tuition fees and boarding fees	221,713	106,156	47.9%	21,246	5,862	27.6%
Education advisory and management service fees	5,767	565	9.8%	20,503	2,070	10.1%
	<u>227,480</u>	<u>106,721</u>	<u>46.9%</u>	<u>41,749</u>	<u>7,932</u>	<u>19.0%</u>

Our gross profit margin for tuition fees and boarding fees increased by approximately 20.3% from approximately 27.6% for the six months ended 28 February 2023 to approximately 47.9% for the six months ended 29 February 2024. It was mainly because the Group completed the Acquisition on 31 August 2023. This Acquisition was part of the Group's business strategy to expand in the field of vocational education. Meanwhile, it is expected to achieve synergy with the existing basic education sector. The average gross profit margin of the top ten vocational education companies listed on the Stock Exchange in terms of net assets was approximately 54.3%. The gross profit margin of the Vocational College's tuition fees and boarding fees was approximately 49.1% for the six months ended February 28, 2023. After the completion of the Acquisition, the Group is committed to achieving synergy between the vocational education segment and Bojun's basic education segment, so as to optimise costs and increase gross profit margins.

The gross profit margin of education advisory and management service fees slightly decreased from approximately 10.1% for the six months ended 28 February 2023 to approximately 9.8% for the six months ended 29 February 2024 was due to the increase in the staff costs.

OTHER INCOME

Other income increased by approximately RMB4.5 million (or 227.5%) from approximately RMB2.0 million for the six months ended 28 February 2023 to approximately RMB6.5 million for the six months ended 29 February 2024. The increase was mainly due to the increase of release of asset-related government grants.

OTHER NET GAINS

Other net gains increased by approximately RMB13.1 million (or 214.4%) from approximately RMB6.1 million for the six months ended 28 February 2023 to approximately RMB19.1 million for the six months ended 29 February 2024. The increase was mainly due to the one-off gain from the waiver by Pengzhou School of a debt of approximately RMB19.0 million owed by the Group to Pengzhou School.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly consist of administrative staff costs, depreciation of administrative related properties and right-of-use assets, 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 RMB35.0 million (or 187.6%) from approximately RMB18.5 million for the six months ended 28 February 2023 to approximately RMB53.3 million for the six months ended 29 February 2024, mainly due to the increase in administrative expenses in line with the Group's business development, and the completion of the Acquisition on 31 August 2023.

SELLING EXPENSES

Selling expenses for the six months ended 29 February 2024 mainly represented the costs related to the promotion of the vocational schools including branding, recruiting students and advertisement etc.

FINANCE COSTS

Finance costs mainly include interest expenses on bank borrowings and finance leases.

Finance costs increased by approximately RMB39.8 million (or 791.0%) from approximately RMB5.0 million for the six months ended 28 February 2023 to approximately RMB44.9 million for the six months ended 29 February 2024, mainly because the Group completed the Acquisition on 31 August 2023. As at 29 February 2024, the financing balance of the Group's basic education segment was RMB338.3 million, which will be used for the daily operations of the basic education segment and the subsequent expansion of Tianfu High School. As at 29 February 2024, the financing balance of the Group's vocational education segment was RMB1,087.1 million. Since vocational education is currently in a stage of rapid development, the Group actively uses financial leverage to ensure the development of the vocational education business.

TAXATION

Income tax expense increased by approximately RMB3.1 million (or 1,585.1%) from approximately RMB0.2 million for the six months ended 28 February 2023 to approximately RMB3.3 million for the six months ended 29 February 2024. The increase in income tax expense was mainly due to the Group's completion of the Acquisition on 31 August 2023. Sichuan Yunmao, the parent company of Sichuan Zhengzhuo and Sichuan Gaojiao, recorded revenue of approximately RMB183.9 million and loss before tax of approximately RMB1.8 million during the six months ended 29 February 2024, of which the Vocational College alone recorded revenue of approximately RMB167.3 million, with profit before tax of approximately RMB6.8 million.

PROFIT (LOSS) FOR THE PERIOD

We recorded a loss of approximately RMB7.8 million for the period for the six months ended 28 February 2023 and profit of approximately RMB3.9 million for the six months ended 29 February 2024, representing an increase of approximately RMB11.7 million or 150.3%. The Group completed the Acquisition on 31 August 2023. Sichuan Yunmao, the parent company of Sichuan Zhengzhuo and Sichuan Gaojiao, recorded revenue of approximately RMB183.9 million and net loss of approximately RMB3.9 million during the six months ended 29 February 2024. The basic education segment recorded revenue of RMB37.6 million and profit of RMB7.8 million, mainly due to the fact that Tianfu High School added more than 360 students in the Period and recorded an increase of approximately RMB7.9 million in tuition fees and boarding fees as compared with the same period last year. Moreover, the Group recorded an one-off gain from waiver of debt to Pengzhou School of approximately RMB19.2 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 revenue on a pro rata basis over the relevant period of the applicable courses. Contract liabilities decreased by approximately RMB79.8 million (or 29.0%) from approximately RMB277.0 million on 31 August 2023 to approximately RMB197.2 million on 29 February 2024. 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, bank borrowings and finance leases. As at 29 February 2024, the short-term bank borrowings were approximately RMB129.5 million (31 August 2023: RMB460.0 million), short-term finance leases amounted to approximately RMB273.15 million (31 August 2023: RMB245.0 million). Meanwhile, there were secured long-term borrowings of approximately RMB838.2 million (31 August 2023: RMB406.1 million), secured long-term financing leases of approximately RMB184.0 million (31 August 2023: RMB396.1 million). The interest rates of the Group's fixed-rate bank and other borrowings ranged from 5.00% to 8.35%, and the interest rates of floating-rate bank and other borrowings ranged from 5.00% to 10.10%, and were mainly used to finance the working capital requirements of its operations and the construction of the schools. The borrowings of the Group are denominated in RMB. The Group's cash and cash equivalents are mainly denominated in RMB. Our cash and cash equivalents amounted to approximately RMB171.6 million as at 29 February 2024 (31 August 2023: 346.6 million). 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:

	For the six months ended	
	29 February	28 February
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(73,177)	(6,844)
Net cash used in investing activities	(137,641)	(3,748)
Net cash used in financing activities	35,649	(109,162)
Net increase (decrease) in cash and cash equivalents	(175,169)	(119,754)
Cash and cash equivalents at the beginning of the period	346,553	155,072
Effect of foreign exchange rate changes	251	—
Cash and cash equivalents at the end of the period	171,635	155,072

NET 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; and (iii) payment for cash consideration of the Acquisition. The following table sets forth the change in cash from investing activities for the period indicated:

	For the six months ended	
	29 February	28 February
	2024	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Payment for property, plant and equipment	(34,380)	(3,809)
Net cash inflow from business acquisition of Riverside Kindergarten	–	61
Payment for cash consideration of acquisition	(86,550)	–
Payment for land use right	(169,692)	–
Refund of government subsidy	152,981	–
	<u>(137,641)</u>	<u>(3,748)</u>

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 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 276.4% as at 31 August 2023 to approximately 255.0% as at 29 February 2024. We believe that we will combine internally generated cash, external borrowings and other funds raised from the capital market from time to time to meet our liquidity needs and continue to optimise the capital structure of the Company.

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 29 February 2024, 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

Except for the furniture, fixtures and equipment pledged for the other borrowing under sale and leaseback arrangement, there were no other material charges on the Group's assets as at 29 February 2024.

CONTINGENT LIABILITIES

As at 29 February 2024, the Group did not have any material contingent liabilities (31 August 2023: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 29 February 2024, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 29 February 2024, the Group has no future plans for material investments and capital assets.

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. On 24 November 2023, the Board resolved to reallocate the use of the unutilised net proceeds in the sum of approximately RMB12.9 million, which was originally intended for establishment of the US School, to the settlement of partial consideration in cash in relation to the acquisition on or before 31 December 2024. An analysis of the utilisation of the net proceeds as at the date of this announcement and the proposed reallocation of the unutilised net proceeds is set out below:

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. Financing the acquisition of vocational education schools	3%	12.9	–	12.9 <i>Note</i>
VII. As working capital and for general corporate purpose	5%	21.4	21.4	–
Total	100%	428.9	416.0	12.9

Note: The net proceeds of approximately RMB12.9 million unutilised as at the date of this announcement is expected to be used on or before 31 December 2024.

SIGNIFICANT INVESTMENTS HELD

As of 29 February 2024, the Group held approximately 33.34% partnership 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)) (“**Tongxing Wanbang**”) 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 temporarily.

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

SIGNIFICANT LEGAL PROCEEDINGS

For the six months ended 29 February 2024, 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 29 February 2024, the Group had 2,543 employees (as at 31 August 2023: 2,430). 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 programmes to its employees. For the six months ended 29 February 2024, the staff costs (including directors’ fees) amounted to approximately RMB56.2 million (for the six months ended 28 February 2023: RMB22.7 million).

SHARE OPTION SCHEME

On 12 July 2018, the Scheme conditionally approved and adopted pursuant to a written resolution passed by the shareholders of the Company (the “**Shareholder(s)**”). The 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 (both dates inclusive). On 17 August 2023, the Company granted 5,000,000 share options at an exercise price of HK\$0.130 per share, which shall be vested on 18 August 2024 and exercisable for a period from 18 August 2023 to 16 August 2033 (both dates inclusive). As at 29 February 2024, 6,000,000 share options remained outstanding under the Scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividends for the six months ended 29 February 2024.

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

During the six months ended 29 February 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

EVENTS AFTER THE PERIOD

There was no subsequent event after 29 February 2024 which has material impact to the Group.

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 C3 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 29 February 2024.

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 C1 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 practises 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 29 February 2024. The Audit Committee has also held meeting to discuss matters with respect to the accounting policies and practises 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 and the Company at <http://bojuneducation.com>. The interim report of the Group for the six months ended 29 February 2024 will be published on the aforesaid websites of the Stock Exchange and the Company, and will be dispatched to Shareholders 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, 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, 25 April 2024

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*