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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 51% OF EQUITY INTEREST OF THE PENGZHOU SCHOOL

The Board is pleased to announce that on 27 August 2021 (after trading hours), Chengdu Mingxian entered into the Termination Agreement with Hongde Guanghua, Pengzhou School and the Guarantors, pursuant to which (i) Chengdu Mingxian has agreed to terminate the Cooperation Agreement, (ii) Hongde Guanghua and Pengzhou School shall refund the Total Investment Fund actually contributed by Chengdu Mingxian under the Cooperation Agreement to Chengdu Mingxian and (iii) Chengdu Mingxian shall grant to Hongde Guanghua and Pengzhou School a licence to use the “Bojun” and “Bojun School” brands during a term from 1 September 2021 to 30 June 2024. By termination of the Cooperation Agreement, the Group will cease to own 51% equity interest in Pengzhou School and Chengdu Mingxian will cease to be the school sponsor of Pengzhou School.

Immediately upon the change of school sponsor, Pengzhou School, Chengdu Bojun and Chengdu Mingxian will enter into the Withdrawal Agreement, reflecting their agreement that Pengzhou School shall cease to be a Consolidated Affiliated Entity.

LISTING RULES IMPLICATIONS

The entry into the Termination Agreement constitutes the Disposal of 51% interest in Pengzhou School. As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75%, it, if materialised, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under the Listing Rules.

Hongde Guanghua owns 49% interest of Pengzhou School, being a Consolidated Affiliated Entity, and therefore is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) have approved the Disposal and confirmed that the terms of the Disposal are fair and reasonable, and the Disposal is on normal commercial terms or better and in the interests of the Shareholders and the Company as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and shareholders' approval requirements.

GENERAL

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Termination Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Termination Agreement and the transactions contemplated therein and other information as required by the Listing Rules, together with the notice convening the EGM and the proxy form in respect of the EGM, is expected to be despatched to the Shareholders in accordance with the Listing Rules on or before 30 September 2021 as additional time is required for preparation of relevant information to be included in the circular.

Reference is made to the Prospectus dated 19 July 2018. The Group entered into the Cooperation Agreement on 8 September 2017, pursuant to which Chengdu Mingxian and Hongde Guanghua agreed to establish Pengzhou School, which has commenced schooling in September 2018. Hongde Guanghua was responsible for land acquisition and construction of school facilities while the Group was responsible for student recruitment and management of the school. Under the cooperation arrangement, the interest in Pengzhou School was owned by the Group as to 51% and Hongde Guanghua as to 49%. Chengdu Mingxian served as one of the school sponsors of Pengzhou School.

On 27 August 2021 (after trading hours), Chengdu Mingxian entered into the Termination Agreement with Hongde Guanghua, Pengzhou School and the Guarantors, pursuant to which (i) Chengdu Mingxian has agreed to terminate the Cooperation Agreement, (ii) Hongde Guanghua and Pengzhou School shall refund the Total Investment Fund actually contributed by Chengdu Mingxian under the Cooperation Agreement to Chengdu Mingxian and (iii) Chengdu Mingxian shall grant to Hongde Guanghua and Pengzhou School a licence to use the “Bojun” and “Bojun School” brands during a term from 1 September 2021 to 30 June 2024. By termination of the Cooperation Agreement, the Group will cease to own 51% equity interest in Pengzhou School and Chengdu Mingxian will cease to be the school sponsor of Pengzhou School.

THE TERMINATION AGREEMENT

The principal terms of the Termination Agreement are set forth below.

Date: 27 August 2021

Parties:

- (i) Chengdu Mingxian;
- (ii) Hongde Guanghua;
- (iii) Pengzhou School; and
- (iv) the Guarantors

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) save for the 49% interest owned by Hongde Guanghua in Pengzhou School under the cooperation arrangement, each of Hongde Guanghua and the ultimate beneficial owners of Hongde Guanghua are Independent Third Parties and (ii) each of the Guarantors and the ultimate beneficial owners of Guarantor A are Independent Third Parties.

Termination of the Cooperation Agreement

Pursuant to the Termination Agreement, Chengdu Mingxian agreed to terminate the Cooperation Agreement.

By termination of the Cooperation Agreement, the Group will cease to own 51% equity interest in Pengzhou School and Chengdu Mingxian will cease to be the school sponsor of Pengzhou School.

Refund of the Total Investment Fund

Pursuant to the Termination Agreement, Hongde Guanghua and Pengzhou School shall refund the Total Investment Fund (being RMB41,164,941.29) to Chengdu Mingxian in the following manner:

- (a) as to RMB20,000,000, being approximately 48.59% of the Total Investment Fund, on or before 30 September 2021 (the “**1st Batch of Refund**”);
- (b) as to RMB20,000,000, being approximately 48.59% of the Total Investment Fund, on or before 30 December 2021; and
- (c) as to RMB1,160,000, being approximately 2.81% of the Total Investment Fund, on or before 30 December 2021 (the “**3rd Batch of Refund**”).

Chengdu Mingxian has agreed to waive the payment of RMB4,941.29, being approximately 0.01% of the Total Investment Fund if the 3rd Batch of Refund is settled on or before 30 December 2021.

As at 16 July 2021, Chengdu Mingxian owed an amount of RMB19,047,000 to Pengzhou School. Under the Termination Agreement, Chengdu Mingxian shall not be required to repay such amount to Pengzhou School and such amount due from Chengdu Mingxian shall be settled by Hongde Guanghua.

The consideration of the Disposal was determined by the parties after arm's length negotiations with reference to and taking into account of the actual amount of contribution made by the Group in relation to the establishment of Pengzhou School, being approximately RMB41.2 million, and after having considered the waiver of payment of approximately RMB19.0 million by the Group to Pengzhou School and the factors set out in the section headed "Reasons for and benefits of the Disposal" below.

Change of school sponsor

The change of school sponsor is subject to:

- (a) the payment of the 1st Batch of Refund; and
- (b) the Directors' and Shareholders' approval of the Company approving transactions contemplated under the Termination Agreement having been obtained.

Upon satisfaction of the above conditions, Chengdu Mingxian shall cooperate with Hongde Guanghua in filing application(s) for Chengdu Mingxian's withdrawal as a school sponsor of Pengzhou School with the relevant authorities, whilst excising limited supervisory power over operation of Pengzhou School.

As advised by the PRC legal adviser of the Company, Pengzhou School shall cease to be a Consolidated Affiliated Entity after the school sponsor is changed and the Withdrawal Agreement is signed.

Licencing arrangement of "Bojun" and "Bojun School" brands

Pursuant to the Termination Agreement, Chengdu Mingxian shall grant to Hongde Guanghua and Pengzhou School a licence to use the "Bojun" and "Bojun School" brands during the term from 1 September 2021 to 30 June 2024, at a licence fee calculated (i) at 18% of the tuition fees and accommodation fees received by Pengzhou School from students enrolled before 1 September 2021 and (ii) at 8% of the tuition fees and accommodation fees received by Pengzhou School from students enrolled after 1 September 2021.

The Guarantee

The Guarantors has agreed to provide joint and several liability guarantee to Chengdu Mingxian to guarantee the financial obligation of Hongde Guanghua and Pengzhou School for a period of up to two year from the latest date of Hongde Guanghua and Pengzhou School obliged to fulfil their respective financial obligations towards Chengdu Mingxian.

WITHDRAWAL AGREEMENT TO THE STRUCTURED CONTRACTS

Immediately upon the change of school sponsor, Pengzhou School, Chengdu Bojun and Chengdu Mingxian will enter into the Withdrawal Agreement, reflecting their agreement that Pengzhou School shall cease to be a Consolidated Affiliated Entity.

INFORMATION OF THE PARTIES

Chengdu Mingxian

Chengdu Mingxian is a limited liability company established in the PRC and a Consolidated Affiliated Entity. It is principally engaged in the business of education investment and management.

Hongde Guanghua

Hongde Guanghua is a limited liability company established in the PRC. It is principally engaged in the business of asset management, project investment, financial advisory and property development management. As at the date of this announcement, Hongde Guanghua holds 49% equity interest in Pengzhou School and ultimately owned by Mr. Dou Lingjia* (竇聆嘉) as to 5% and a company, which is owned as to Mr. Zhou Xing* (周翔) as to 97% and Mr. Liu Jun* (劉軍) as to 3%, as to 95%, each of them is a PRC citizen of PRC nationality. Save for the 49% interest owned by Hongde Guanghua in Pengzhou School under the cooperation arrangement, each of Hongde Guanghua and its ultimate beneficial owners are Independent Third Parties.

The Guarantors

Guarantor A is a limited company established in the PRC and owned by Mr. Chen Hongquan* (陳洪泉) and Mr. Li Qinghua* (李清華) as to 80% and 20%, respectively, each of them is a PRC citizen of PRC nationality and an Independent Third Party. It is principally engaged in the business of corporate management, and education corporate management and consultation. Guarantor B is a PRC citizen of PRC nationality and an Independent Third Party.

Pengzhou School

Pengzhou School is a school established under the laws of the PRC on 26 April 2018 and has commenced schooling in September 2018. As at the date of this announcement, Pengzhou School is owned by Chengdu Mingxian and Hongde Guanghua as to 51% and 49%, respectively. Upon the change of school sponsor and the entry into the Withdrawal Agreement, Pengzhou School will cease to be a Consolidated Affiliated Entity and the financial results of Pengzhou School will no longer be consolidated into the accounts of the Group after which.

Financial information

The net asset value of Pengzhou School as at 28 February 2021 was approximately RMB23.0 million. The following is the financial information of Pengzhou School:

	For the year ended 30 August 2019 RMB'000 (approximate)	For the year ended 30 August 2020 RMB'000 (approximate)
Revenue	37,144	53,852
Net profit before tax	5,617	18,146
Net profit after tax	4,900	13,594

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the provision of private education service, covering kindergarten, primary, middle and high schools education services, in Sichuan Province, the PRC. The Group commenced operation in 2001 and rooted in the education industry in Sichuan Province. Leveraging on the success and proven track record in the provision of private education in Sichuan Province, the PRC, the Group plans to expand its footprints in the education industry and capture potential investment opportunities in the education industry.

On 14 May 2021, the State Council of the PRC promulgated the Regulations on the Implementation of Non-State Education Promotion Law of the PRC, which sets out various regulations relating to the operation of private schools providing compulsory education, which will become effective on 1 September 2021. The Company will make arrangements for our schools providing compulsory education accordingly upon the local government issuing implementation details in relation to such regulations.

The Company is considering to devote more efforts in developing schools providing non-compulsory education, such as advanced vocational schools. After careful deliberation, the Board and the management of the Company have decided to terminate the Cooperation Agreement so as to devote more resources and efforts to develop schools providing non-compulsory education.

The Directors (including the independent non-executive Directors) have approved the Disposal and confirmed that the terms of the Disposal are fair and reasonable, and the Disposal is on normal commercial terms or better and in the interests of the Shareholders and the Company as a whole.

USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE DISPOSAL

The gross proceeds from the refund of the Total Investment Fund are expected to be approximately RMB41.2 million and the net proceeds (after deduction of related transaction expenses) are expected to be approximately RMB40.7 million. The Company intends to use the net proceeds as working capital for the Group's business and/or financing the expansion of business or future potential investment of the Group as and when opportunities arise.

The Disposal is expected to give rise to a gain of approximately RMB6.8 million (before taxation, if any) calculated with reference to the amount of debt owed by Chengdu Mingxian to Pengzhou School (being approximately RMB19.0 million) and the 51% of the net assets value of Pengzhou School as at 28 February 2021 (being approximately RMB11.7 million), and the transaction costs and expenses in relation to the Disposal (being approximately RMB0.5 million). The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to any changes to the carrying amount of Pengzhou School on the date when it ceases to be a Consolidated Affiliated Entity.

LISTING RULES IMPLICATIONS

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Hongde Guanghua owns 49% interest of Pengzhou School, being a Consolidated Affiliated Entity, and therefore is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) have approved the Disposal and confirmed that the terms of the Disposal are fair and reasonable, and the Disposal is on normal commercial terms or better and in the interests of the Shareholders and the Company as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and shareholders' approval requirements.

GENERAL

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Disposal, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Termination Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Termination Agreement and the transactions contemplated therein and other information as required by the Listing Rules, together with the notice convening the EGM and the proxy form in respect of the EGM, is

expected to be despatched to the Shareholders in accordance with the Listing Rules on or before 30 September 2021 as additional time is required for preparation of relevant information to be included in the circular.

Completion under the Termination Agreement is subject to the satisfaction of terms and conditions which are more particularly described in this announcement. The Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the meaning set out below:

“Board”	the board of Directors
“Chengdu Bojun”	Chengdu Tianfu Bojun Education Management Company Limited* (成都天府博駿教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 26 July 2016 and a wholly-owned subsidiary of the Company
“Chengdu Mingxian”	Chengdu Mingxian Education Investment Company Limited* (成都銘賢教育投資有限公司), a limited liability company established under the laws of the PRC on 10 March 2004 and a Consolidated Affiliated Entity
“Company”	Bojun Education Company Limited (博駿教育有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2016
“Compulsory Education”	grade one to grade nine education, which all children and adolescents of school age in the PRC must receive, according to the Compulsory Education Law of the PRC* (中華人民共和國義務教育法)
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Consolidated Affiliated Entity(ies)”	the entities that the Group controls through the contractual arrangement contemplated under the existing structured contracts of the Group, as amended or supplemented from time to time
“Cooperation Agreement”	the cooperation agreement dated 8 September 2017 made between Chengdu Mingxian and Hongde Guanghua in relation to the establishment of Pengzhou School
“Director(s)”	the director(s) of the Company;

“Disposal”	the disposal of the 51% interest in Pengzhou School contemplated under the Termination Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Termination Agreement and the transactions contemplated thereunder
“Group”	the Company, its subsidiaries and the Consolidated Affiliated Entities
“Guarantor A”	Chengdu Qizheng Corporate Management Company Limited* (成都啟正企業管理有限公司), a limited company established under the laws of the PRC on 26 January 2018, the details of which are set out in the section headed “Information of the Parties” in this announcement
“Guarantor B”	Mr. Chen Lung* (陳龍), the background of whom is set out in the section headed “Information of the Parties” in this announcement
“Guarantors”	Guarantor A and Guarantor B
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region
“Hongde Guanghua”	Sichuan Hongde Guanghua Education Management Company Limited* (四川弘德光華教育管理有限公司), a limited liability company incorporated in the PRC on 22 October 2015, the details of which are set out in the section headed “Information of the Parties” in this announcement
“Implementation Regulations”	Law Regarding the Promotion of Private Education (《中華人民共和國民辦教育促進法實施條例》)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Pengzhou School”	Pengzhou Bojun School* (彭州市博駿學校), a private elementary as well as middle and high school established jointly by Chengdu Mingxian and Hongde Guanghua, and a Consolidated Affiliated Entity
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus dated 19 July 2018 issued by the Company in connection with the public offering

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Structured Contracts”	the existing structured contracts of the Group, details of which are set out in the announcement of the Company dated 19 June 2020
“Termination Agreement”	the agreement dated 27 August 2021 entered into among Chengdu Mingxian, Hongde Guanghua, Pengzhou School and the Guarantors in relation to the Disposal
“Total Investment Fund”	the actual amount of investment fund of RMB41,164,941.29 contributed by the Group to Pengzhou School under the Cooperation Agreement
“Withdrawal Agreement”	a withdrawal agreement to the Structured Contracts, to be entered among Pengzhou Bojun, Chengdu Bojun and Chengdu Mingxian
“%”	per cent.

By Order of the Board
Bojun Education Company Limited
Wang Jinglei
Chairman of the Board and chief executive officer

Hong Kong, 27 August 2021

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

* *for identification purpose only*