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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)

CONTINUING CONNECTED TRANSACTIONS PROVISION OF FINANCIAL ASSISTANCE TO A SUBSTANTIAL SHAREHOLDER AT SUBSIDIARY LEVEL

Reference is made to the circular of Bojun Education Company Limited (the “**Company**”) dated 30 September 2021 (the “**Circular**”). Save as defined herein, terms used in this announcement shall have the same meaning as used in the Circular.

THE ARRANGEMENT

Since 31 July 2018, Hongde Guanghua has obtained interest free unsecured loans from Pengzhou School (the “**Arrangement**”). Pengzhou School also obtained interest free unsecured loans from Hongde Guanghua. Such loans were amounts due to/from between Pengzhou School and Hongde Guanghua, to settle expenses of Pengzhou School and Hongde Guanghua incurred during their operation, including expenses on procurement of teaching equipment and materials, settlements of reimbursement and work-related expenses and payment of provident funds. As at the date of this announcement, a balance of approximately RMB18.9 million, which is repayable on demand, is due to Pengzhou School by Hongde Guanghua. Loans provided by Pengzhou School to Hongde Guanghua under the Arrangement were financed with earnings of Pengzhou School. The maximum balance of advances due to Pengzhou School from Hongde Guanghua between 31 July 2018 and the date of this announcement is RMB26,299,000.

INFORMATION OF THE PARTIES

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 Ms. 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, each of Hongde Guanghua and its ultimate beneficial owners are Independent Third Parties.

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. The Termination Agreement in relation to disposal of Pengzhou School by Chengdu Mingxian was approved on the EGM held on 26 October 2021. The parties are now undergoing the process of change of 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.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) of the Arrangement aggregated on a twelve-month basis is above 5% but all of them are less than 25%, the Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Hongde Guanghua owns 49% interest of Pengzhou School, being a Consolidated Affiliated Entity at the time of the relevant transactions, and therefore is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Arrangement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, the Arrangement is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and shareholders' approval requirements.

The provision of loans by Hongde Guanghua to Pengzhou School is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules, as such transaction constituted a financial assistance received by the Group from a connected person, which is conducted on normal commercial terms and is not secured by the assets of the Group.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors have a material interest in the Arrangement and therefore have not abstained from voting on the relevant board resolutions.

REASONS FOR AND BENEFITS OF THE ARRANGEMENT AND REASONS FOR UNINTENTIONAL NON-COMPLIANCE OF THE LISTING RULES

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.

The Directors are of the view that the advances between Pengzhou School and Hongde Guanghua helps ensure funds for convenient and efficient payment involved in the daily operation of the Pengzhou School.

The Directors (including the independent non-executive Directors) have approved the Arrangement and confirmed that the terms of the which are fair and reasonable, and they are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

There have been continuing connected transactions under the Arrangement since 31 July 2018 (the date when dealings in the Shares on the Stock Exchange commenced). The Company has not fulfilled the reporting and announcement requirements under the Listing Rules in relation to the Arrangement and therefore has resulted in non-compliance with the Listing Rules. Not until recent review, the Directors were advised that the loans provided under the Arrangement should constitute financial assistance to a connected person and the Company had failed to comply with the requirement of the Listing Rules in a timely manner. The Directors reiterated that the non-compliance of the Listing Rules was unintentional and was due to the Directors' misapprehension of the Listing Rules.

The Arrangement will cease to be continuing connected transactions of the Company upon completion of the Termination Agreement.

REMEDIAL MEASURES TO BE TAKEN

Since the provision of financial assistance under the Arrangement cannot be reversed, the Company arranged for publication of this announcement and review of previous transactions made under the Arrangement by the Directors.

To prevent similar non-compliance from occurring in the future, the Company shall take the following measures and actions:

- (i) the Company will issue relevant guidance and training materials, in particular, on how to identify notifiable and connected transactions under the Listing Rules, to the Directors, senior management and relevant staff of the Group;
- (ii) the Company will provide trainings to explain the relevant Listing Rules requirements and the reporting procedures for notifiable transactions and connected transactions under the Listing Rules, and to emphasise the importance of identifying such transactions prior to execution;

- (iii) the Directors' office* (董事辦) of the Company will continue to oversee and monitor the Company's on-going compliance with the Listing Rules;
- (iv) the Company will review and modify its existing procedures in monitoring notifiable and connected transactions of the Group under Chapters 14 and 14A of the Listing Rules; and
- (v) the Company will, as and when appropriate and necessary, seek external legal or other professional advice as to any action required to be taken regarding any proposed transactions or events in the future.

There will also be no further advance from Pengzhou School to Hongde Guanghua before the Completion.

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

Hong Kong, 30 May 2022

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*