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读书郎

Readboy Education Holding Company Limited

讀書郎教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2385)

CONNECTED TRANSACTION ACQUISITION OF SALE SHARES IN THE TARGET COMPANY

THE SHARE TRANSFER AGREEMENT

On 2 November 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell the Sale Shares, representing approximately 2.81% of the issued shares of the Target Company at the consideration of RMB28.0 million.

LISTING RULES IMPLICATIONS

As the Vendor is held as to 51.02% by Mr. Chen (one of the controlling shareholders and a non-executive Director of the Company) and 48.98% by Mr. Qin (one of the controlling shareholders, an executive Director, chairman of the Board and the chief executive officer of the Company), the Vendor is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the Share Transfer Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) of the Share Transfer Agreement and the transaction contemplated thereunder exceeds 0.1% but is less than 5%, the Share Transfer Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company which is subject to the reporting and announcement requirements, but exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 2 November 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell the Sale Shares, representing approximately 2.81% of the issued shares of the Target Company at the consideration of RMB28.0 million.

THE SHARE TRANSFER AGREEMENT

The principal terms of the Share Transfer Agreement are summarised as follows:

Date

2 November 2022 (after trading hours)

Parties

Purchaser : Readboy Educational Technology Co., Ltd* (讀書郎教育科技有限公司)

Vendor : Zhuhai Dreamcatcher Network Technology Co., Ltd* (珠海市追夢網絡科技有限公司)

Sale Shares to be acquired

Sale Shares held by the Vendor represent approximately 2.81% of the issued shares of the Target Company.

Consideration and payment terms

Pursuant to the terms of the Share Transfer Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares (representing approximately 2.81% of the issued shares of the Target Company) at the consideration of RMB28.0 million. The Consideration will be paid in cash and funded by the net proceeds from the Global Offering earmarked for strategic investments and/or acquisitions in optimizing the products and service offerings of the Group. The Consideration shall be settled in full by no later than 30 November 2022 by the Purchaser.

Within 20 days after receipt of the full payment of the Consideration, the Vendor shall assist the Purchaser and the Target Company to complete the relevant industrial and commercial registration procedure with the relevant PRC government authorities.

The Consideration was determined after arms' length negotiation between the Purchaser and the Vendor with reference to the investment cost of RMB28.0 million incurred by the Vendor for the Sale Shares in February 2021. Under an investment agreement entered into between the Vendor, the Target Company and OED Holding Limited (the controlling shareholder of the Target Company) in February 2021, the Vendor subscribed for convertible bonds (the "**Convertible Bonds**") bearing an interest of 8% per annum issued by the Target Company with a principal amount of RMB28.0 million, which was convertible, and was subsequently converted into 2,290,909 shares of the Target Company in December 2021. To the best knowledge and information of the Directors, the conversion price of the Convertible Bonds was determined after arm's length negotiation between the Vendor, the Target Company and OED Holding Limited, and with reference to (i) the potential growth of the Target Company; and (ii) the conversion price of convertible bonds issued by the Target Company to other investors in previous rounds of investments, which had taken into account of the valuation estimated based on the price-to-sales ratio of another similar company in the industry.

Default payment

In the event the Purchaser fails to pay in full the Consideration in accordance with the terms of the Share Transfer Agreement, the Purchaser shall pay an amount equivalent to 0.01% of the outstanding sum of the Consideration per day as overdue liquidated damages, for each day of late payment. On the other hand, in the event the Vendor fails to complete the relevant industrial and commercial registration procedure with respect to the Acquisition within the prescribed period in accordance with the terms of the Share Transfer Agreement, the Vendor shall pay an amount equivalent to 0.01% of the Consideration per day as overdue liquidated damages, for each day of late registration.

In the event the Purchaser fails to pay in full the Consideration by 30 November 2022, the Vendor shall be entitled to terminate the Share Transfer Agreement, and shall have the right to demand the Purchaser to pay an amount equivalent to 20% of the Consideration as liquidated damages. On the other hand, in the event the relevant industrial and commercial registration procedure with respect to the Acquisition fails to be completed within 20 days after the full payment of the Consideration for reasons unrelated to the Purchaser, the Purchaser shall be entitled to terminate the Share Transfer Agreement, demand the Vendor to return all payments of the Consideration already made by the Purchaser, and demand the Vendor to pay an amount equivalent to 20% of the Consideration as liquidated damages.

Completion

Completion of the Acquisition shall take place upon the completion of the following: (i) the due execution of the Share Transfer Agreement by the Purchaser and the Vendor; (ii) the relevant industrial and commercial registration of changes in respect to the Acquisition with the relevant PRC government authorities; and (iii) the full settlement of the Consideration.

As confirmed by the Target Company, the existing shareholders (other than the Vendor) of the Target Company had waived their pre-emptive rights to purchase the Sale Shares under the Acquisition.

Upon completion of the Acquisition, the Company will indirectly hold approximately 2.81% of the issued shares of the Target Company and as a result, the financial results of the Target Company will not be consolidated into the consolidated financial statements of the Group. The Sale Shares will be accounted for as financial instruments. It is expected that upon completion of the Acquisition, the Target Company, the Purchaser and the existing shareholders of the Target Company (who are Independent Third Parties) will enter into a shareholders' agreement to record the rights and obligations as shareholders of the Target Company, which is expected to contain customary terms of its type such as pre-emptive rights, anti-dilution rights, and tag-along rights with respect to the shares of the Target Company. No consideration will be paid for the grant of such rights, which will be exercisable at the discretion of the shareholders of the Target Company (including the Purchaser).

Other

The Share Transfer Agreement shall become effective upon its due execution by the Purchaser and the Vendor.

INFORMATION OF THE PARTIES

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the production and sales of AI learning equipment. The Company is a company incorporated in the Cayman Islands with limited liability and is an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the production and sale of personal student tablets, smart classroom solutions, wearable products, other products and advertisement and content licensing in the PRC.

The Vendor is a company established in the PRC with limited liability, which is principally engaged in property leasing. The Vendor is held as to 51.02% by Mr. Chen (one of the controlling shareholders and a non-executive Director of the Company) and 48.98% by Mr. Qin (one of the controlling shareholders, an executive Director, the chairman of the Board and the chief executive officer of the Company), and is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. It is an e-Paper material supplier equipped with advanced flexible display technology (柔性顯示技術) and other e-Paper display technologies. As at the date of this announcement, the Target Company is owned as to approximately 50.87% by OED Holding Limited. No other shareholders of the Target Company hold more than 10% of the issued shares of the Target Company as at the date of this announcement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Target Company, the other existing shareholders (other than the Vendor) of the Target Company, and their respective ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

The table below sets out certain unaudited financial information of the Target Company for the years ended 31 December 2020 and 2021:

	For the year ended	
	31 December	
	2021	2020
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	46,874.6	7,294.3
Net loss before taxation	16,661.5	14,344.4
Net loss after taxation	16,661.5	14,344.4

As at 31 August 2022, the unaudited net assets of the Target Company amounted to approximately RMB169.6 million.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE TRANSFER AGREEMENT

The Group designs, develops, manufactures and markets smart learning devices empowered by digital educational resources primarily targeting primary and secondary students in the PRC. One of the major products of the Group is personal student tablets. The Target Company specialises in e-Paper display technologies and their associated products with eyesight protection function, which are commonly applied to tablets and hence would complement well with the Group's personal student tablets. To respond to and support the PRC government policies on eyesight protection of the youths in the recent years, the Group intends to adopt and integrate the Target Company's relevant display technologies and products to the Group's personal student tablets in the future. The Directors consider that the current acquisition of shareholding interests in the Target Company would facilitate the future negotiation and supply of the Target Company's display technologies and products for developing new models of the Group's personal student tablets products.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement have been negotiated on arm's length basis and the Share Transfer Agreement are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the Share Transfer Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Vendor is held as to 51.02% by Mr. Chen (one of the controlling shareholders and a non-executive Director of the Company) and 48.98% by Mr. Qin (one of the controlling shareholders, an executive Director, chairman of the Board and the chief executive officer of the Company), the Vendor is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Accordingly, the Share Transfer Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) of the Share Transfer Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the Share Transfer Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company which is subject to the notification and announcement requirements, but exempt from the circular and independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

As Mr. Chen (one of the controlling shareholders and a non-executive Director of the Company) and Mr. Qin (one of the controlling shareholders, an executive Director, chairman of the Board and the chief executive officer of the Company) are the shareholders of the Vendor, they had abstained from voting on the Board resolutions approving the Share Transfer Agreement and the transaction contemplated thereunder. Saved and except for the aforesaid, none of the other Directors has any material interest in the Share Transfer Agreement and was required to abstain from voting on the Board resolutions in relation to the Share Transfer Agreement and the transaction contemplated thereunder.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor, as contemplated under the Share Transfer Agreement
“Board”	the board of Directors of the Company
“Company”	Readboy Education Holding Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2385)
“Consideration”	the consideration of RMB28.0 million payable by the Purchaser to the Vendor in relation to the Acquisition
“Director(s)”	director(s) of the Company

“Global Offering”	the global offering of the Company in connection with the listing of the Shares on the Stock Exchange consummated on 12 July 2022
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	persons who themselves (and in the case of any corporate entities, their ultimate beneficial owners) are third parties independent of, and not connected with, the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules” or “Rule”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Chen”	Mr. Chen Zhiyong, one of the controlling shareholders of the Company and a non-executive Director
“Mr. Qin”	Mr. Qin Shuguang, one of the controlling shareholders of the Company, chairman of the Board, chief executive officer of the Company and an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Readboy Educational Technology Co., Ltd* (讀書郎教育科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 2,290,909 shares of the Target Company (representing approximately 2.81% of its issued shares as at the date of this announcement)
“Share Transfer Agreement”	the share transfer agreement dated 2 November 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued share(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou OED Electronic Technology Co., Ltd.* (廣州奧翼電子科技股份有限公司), a company established in the PRC with limited liability
“Vendor”	Zhuhai Dreamcatcher Network Technology Co., Ltd* (珠海市追夢網絡科技有限公司), a company established in the PRC with limited liability, which is owned as to 51.02% by Mr. Chen and 48.98% by Mr. Qin
“%”	per cent

By order of the Board
Readboy Education Holding Company Limited
Qin Shuguang
Chairman

Hong Kong, 2 November 2022

As at the date of this announcement, the Board comprises Mr. Qin Shuguang, Ms. Liu Zhilan, Mr. Chen Jiafeng and Mr. Deng Denghui as executive Directors; Mr. Chen Zhiyong and Mr. Shen Jianfei as non-executive Directors; and Mr. Li Xinshou, Ms. Kong Fanhua and Prof. Li Renfa as independent non-executive Directors.

* *for identification purposes only*