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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)

- (1) MAJOR TRANSACTION — ACQUISITION OF 51% EQUITY INTEREST OF TWO TARGET COMPANIES AND PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;**
(2) MAJOR AND CONTINUING CONNECTED AND DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCIAL ASSISTANCE; AND
(3) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO COOPERATION ARRANGEMENT

(1) THE ACQUISITION

The Board announces that on 8 December 2021:

- (i) the Company, Sichuan Yunmao, Chengdu Bomao, Shenzhen Hongyuan, Sichuan Zhengzhuo, the Target Company A and Chengdu Bojun entered into the Equity Transfer Agreement A, pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest AI and the Sale Interest AII (being 26.5% and 24.5% of the equity interest in the Target Company A, respectively) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest AI and the Sale Interest AII, respectively, in the aggregate consideration of RMB283,050,000 (being the Consideration A), out of which (i) RMB147,075,000, being approximately 51.96% of the Consideration A, will be settled by cash, with the earnest money of RMB73,500,000 (being the Prepayment) used to set off part of the Cash Consideration A to Shenzhen Hongyuan, and (ii) RMB135,975,000, being approximately 48.04% of the Consideration A, will be settled by allotment and issue of 195,371,993 Consideration Shares A at the Issue Price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee); and

(ii) the Company, Sichuan Yunmao, Chengdu Bomao, Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B entered into the Equity Transfer Agreement B, pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest BI and the Sale Interest BII (both being 25.5% of the equity interest in the Target Company B) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest BI and the Sale Interest BII, respectively, in the aggregate consideration of RMB26,010,000 (being the Consideration B), out of which (i) RMB13,005,000, being 50% of the Consideration B, will be settled by cash to Shenzhen Hongyuan, and; (ii) RMB13,005,000, being 50% of the Consideration B, will be settled by allotment and issue of 18,685,881 Consideration Shares B at the Issue Price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee).

As at the date of this announcement, (i) the Target Company A is owned as to 51% by Shenzhen Hongyuan and 49% by Sichuan Zhengzhuo and (ii) the Target Company B is owned as to 50% by Shenzhen Hongyuan and 50% by Sichuan Zhengzhuo.

Upon the Completion, Sichuan Yunmao will hold 51% of the registered capital of each of the Target Companies.

New structured contracts

Chengdu Bomao will enter into a new set of structured contracts with the members of the Target Group and Sichuan Yunmao, after which the Group will obtain control over and derive economic benefits from the Target Group and Sichuan Yunmao, members of which will become Consolidated Affiliated Entities and the financial results of the Target Group and Sichuan Yunmao will be consolidated into the accounts of the Group.

CONSIDERATION SHARES

The 214,057,874 Consideration Shares will be issued at the Issue Price, being HK\$0.85, which was determined after arm's length negotiations between the Company and Sichuan Zhengzhuo with reference to the then market price of the Shares, the fair value of 51% of the equity interests of the Target Companies and their performance and future prospects.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought by the Company at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

(2) FINANCIAL ASSISTANCE

The Vocational College, a wholly-owned subsidiary of the Target Company A, entered into (i) the Loan Agreement I dated 19 October 2021 with the Target Company B pursuant to which the Vocational College agreed to provide a loan of approximately RMB237.2 million to the Target Company B for a term of three years from 19 October 2021 to 18 October 2024 (being the Financial Assistance I) and (ii) the Loan Agreement II dated 28 July 2020 with Shenzhen Hongyuan pursuant to which the Vocational College agreed to provide a loan of RMB30.0 million to Shenzhen Hongyuan for a term of two years from 29 July 2020 to 28 July 2022 (being the Financial Assistance II).

(3) THE COOPERATION ARRANGEMENT

The Vocational College and the Target Company B entered into the Cooperation Agreement dated 11 January 2021, pursuant to which the parties agreed to operate a training base (實訓基地) for advanced vocational education from autumn 2021. Under the Cooperation Agreement, the Vocational College would provide training services to its students at the premises and facilities which are owned by the Target Company B for a term of three years from 1 September 2021 to 31 August 2024 and the Target Company B shall provide management and maintenance services at the premises.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but does not exceed 100%, the Acquisition constitute major transactions 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.

Upon the Completion, Shenzhen Hongyuan and Sichuan Zhengzhuo will become substantial shareholders of two Consolidated Affiliated Entities (i.e. the Target Companies), thus connected persons of the Company at subsidiary level. Upon the allotment of the Consideration Shares to Sichuan Zhengzhuo (or its nominee) after the Completion, Sichuan Zhengzhuo will become a connected person at issuer level and, thus, both of the Target Company B and the Vocational College will become connected subsidiaries of the Company according to Rule 14A.16(1) of the Listing Rules.

The Financial Assistance I

Upon the allotment of the Consideration Shares to Sichuan Zhengzhuo (or its nominees), the transaction contemplated under the Loan Agreement I will constitute a provision of financial assistance by the Group to the Target Company B, which is a connected subsidiary, and, thus, constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules and a notifiable transaction under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Financial Assistance I exceeds 25% but does not exceed 100%, and the value of such financial assistance plus any monetary advantage are more than HK\$10,000,000, such financial assistance (i) is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules and (ii) constitute a major transaction for the Company, thus subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Financial Assistance II

Upon the Completion, the transaction contemplated under the Loan Agreement II will constitute a provision of financial assistance by the Group to Shenzhen Hongyuan, which is a connected person at subsidiary level, and, thus, constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules and a notifiable transaction under Chapter 14 of the Listing Rules. As (i) the highest applicable percentage ratio in respect of the Financial Assistance II exceeds 5% but does not exceed 25%; (ii) the Board has approved of the Loan Agreement II; and (iii) the independent non-executive Directors have confirmed that the terms of the Loan Agreement II are fair and reasonable and the transactions contemplated under the Loan Agreement II are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Loan Agreement II (i) are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules and (ii) constitutes a discloseable transaction, thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Cooperation Arrangement

Upon the allotment of the Consideration Shares to Sichuan Zhengzhuo (or its nominees), the transaction contemplated under the Cooperation Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The proposed annual cap amounts in relation to the Cooperation Agreement for the years ending 31 August 2022 to 2024 are RMB18,932,500, RMB30,027,500 and RMB34,214,400, respectively. As the highest applicable percentage ratio in respect of the annual caps proposed for the transactions contemplated under the Cooperation Agreement exceeds 5% but does not exceed 25%, such transactions are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be held to consider and if thought fit, to approve the Equity Transfer Agreements, the Cooperation Agreement and the Loan Agreement I, and the transactions contemplated thereunder (including the Specific Mandate and the proposed annual cap amounts). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition, the Cooperation Arrangement and the Financial Assistance I. Accordingly, no Shareholders will be required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Equity Transfer Agreements, the Cooperation Agreement and the Loan Agreement I and the transactions contemplated thereunder (including the Specific Mandate and the proposed annual cap amounts).

GENERAL

A circular containing, among other things, further information regarding the Acquisition, the Cooperation Agreement and the Loan Agreement I and the transactions contemplated thereunder (including the Specific Mandate and the proposed annual cap amounts), and other information as required under the Listing Rules, together with a notice of the EGM will be despatched to the Shareholders on or before 31 January 2022 as additional time is required for preparation of relevant information to be included in the circular.

Trading Halt

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 30 November 2021, pending the release of an announcement on the annual results of the Company for the year ended 31 August 2021 and announcement(s) which may constitute inside information of the Company. For details, please refer to the announcement of the Company dated 30 November 2021.

Completion under the Equity Transfer Agreements is subject to the satisfaction of the conditions precedent which are more particularly described in the sections headed “The Equity Transfer Agreement — Equity Transfer Agreement A — Conditions precedent” and “The Equity Transfer Agreement — Equity Transfer Agreement B — Conditions precedent” of this announcement. There is no assurance that any of the conditions precedent to the Equity Transfer Agreements will be fulfilled. Therefore, the Acquisition 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.

(1) MAJOR TRANSACTION — ACQUISITION OF 51% EQUITY INTEREST OF TWO TARGET COMPANIES AND PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

Reference is made to the Announcements in relation to, among others, the Capital Injection Agreement and the arrangement in relation to the Prepayment.

As disclosed in the Announcements, on 11 September 2020, Chengdu Bojun (a wholly-owned subsidiary of the Company), the Initial Shareholder and Shenzhen Hongyuan entered into the Capital Injection Agreement, pursuant to which Chengdu Bojun agreed to subscribe for new capital of Shenzhen Hongyuan in the aggregate amount of RMB245.0 million in cash, out of which approximately RMB96.1 million will be accounted as registered capital of Shenzhen Hongyuan and the rest will be accounted as capital reserve of Shenzhen Hongyuan. On 11 August 2021 the Capital Injection Agreement lapsed, as such, the Capital Injection Agreement and its supplemental agreements shall cease to have effect and no parties to which shall have any obligations and liabilities toward each other thereunder, except concerning the Prepayment of the amount RMB73.5 million made by Chengdu Bojun to Shenzhen Hongyuan pursuant to the Capital Injection Agreement in September 2020, which shall form the earnest money to Shenzhen Hongyuan pursuant to the Equity Transfer Agreement A (which, in turn, will be applied as part of the Cash Consideration A to Shenzhen Hongyuan pursuant to the Equity Transfer Agreement A).

The Board announces that on 8 December 2021:

- (i) the Company, Sichuan Yunmao, Chengdu Bomao, Shenzhen Hongyuan, Sichuan Zhengzhuo, the Target Company A and Chengdu Bojun entered into the Equity Transfer Agreement A, pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest AI and the Sale Interest AII (being 26.5% and 24.5% of the equity interest in the Target Company A, respectively) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest AI and the Sale Interest AII, respectively, in the aggregate consideration of RMB283,050,000 (being the Consideration A), out of which (i) RMB147,075,000, being approximately 51.96% of the Consideration A, will be settled by cash, with the earnest money of RMB73,500,000 (being the Prepayment) used to set off part of the Cash Consideration A to Shenzhen Hongyuan, and (ii) RMB135,975,000, being approximately 48.04% of the Consideration A, will be settled by allotment and issue of 195,371,993 Consideration Shares A at the Issue Price of HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee); and
- (ii) the Company, Sichuan Yunmao, Chengdu Bomao, Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B entered into the Equity Transfer Agreement B, pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest BI and the Sale Interest BII (both being 25.5% of the equity interest in the Target Company B) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest BI and the Sale Interest BII, respectively, in the aggregate consideration of RMB26,010,000 (being the Consideration B), out of which (i) RMB13,005,000, being 50% of the Consideration B, will be settled by cash to Shenzhen Hongyuan, and (ii) RMB13,005,000, being 50% of the Consideration B, will be settled by allotment and issue of 18,685,881 Consideration Shares B at the Issue Price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee).

As at the date of this announcement, (i) the Target Company A is owned as to 51% by Shenzhen Hongyuan and 49% by Sichuan Zhengzhuo and (ii) the Target Company B is owned as to 50% by Shenzhen Hongyuan and 50% by Sichuan Zhengzhuo.

Upon the Completion, Sichuan Yunmao will hold 51% of the registered capital of each of the Target Companies. Prior to the Completion, Chengdu Bomao will enter into a new set of structured contracts with members of the Target Group and Sichuan Yunmao, which will become effective upon the Completion, upon which Sichuan Yunmao and the Target Group will become Consolidated Affiliated Entities, and the Group will obtain control over and derive economic benefits from the Target Group and Sichuan Yunmao, and the financial results of which will be consolidated into the accounts of the Group.

THE EQUITY TRANSFER AGREEMENTS

Summarised below are the principal terms of the Equity Transfer Agreements:

Equity Transfer Agreement A

Date: 8 December 2021

Parties:

- (1) Shenzhen Hongyuan (as seller);
- (2) Sichuan Zhengzhuo (as seller);
- (3) Sichuan Yunmao (as buyer);
- (4) Chengdu Bomao (as buyer);
- (5) the Target Company A;
- (6) the Company; and
- (7) Chengdu Bojun.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Target Company A, Shenzhen Hongyuan and Sichuan Zhengzhuo and their ultimate beneficial owners is an Independent Third Party as at the date of this announcement.

Subject matter

Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest AI and the Sale Interest AII (being 26.5% and 24.5% of the equity interest in the Target Company A, respectively) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest AI and the Sale Interest AII, respectively, in the aggregate consideration of RMB283,050,000.

Consideration

The aggregate consideration of the Equity Transfer A, being the Consideration A, is RMB283,050,000 and is to be settled in the following manner:

- (i) RMB147,075,000, being approximately 51.96% of the Consideration A, will be payable to Shenzhen Hongyuan and settled by cash as follows:
 - (a) RMB73,500,000, being approximately 50.0% of the Cash Consideration A, was deemed paid to Shenzhen Hongyuan upon signing of the Equity Transfer Agreement A as earnest money and set off by the Prepayment. Such earnest money shall be considered as part payment of the Cash Consideration A upon completion of the Equity Transfer Agreement A;
 - (b) RMB36,750,000, being approximately 25.0% of the Cash Consideration A, by Sichuan Yunmao after completion of the Equity Transfer Agreement A and before 31 December 2023; and
 - (c) RMB36,825,000, being approximately 25.0% of the Cash Consideration A, by Sichuan Yunmao after completion of the Equity Transfer Agreement A and before 31 December 2024; and
- (ii) RMB135,975,000, being approximately 48.04% of the Consideration A, will be settled by allotment and issue of 195,371,993 Consideration Shares A at the Issue Price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee) within 60 Business Days of the date of completion of the Equity Transfer Agreement A.

The Consideration A was determined by the parties after arm's length negotiations with reference to and taking into account the track record, number of students, course offerings and tuition fee levels of the Vocational College and the Vocational School, the past financial performance and future prospects of the Target Group A and the fair value of 100% equity interest of the Target Company A of approximately RMB694,360,000 as at 31 August 2021 as appraised by an independent valuation company applying the market approach.

The Cash Consideration A (other than the Prepayment) will be funded by the Group's internal resources and, if and when available, bank financing.

Conditions precedent

Completion shall be subject to the fulfilment of the following conditions precedent:

- (a) the Equity Transfer Agreement A being legally executed and valid;
- (b) all representations, warranties and guarantees of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A remaining true, accurate and complete on the date of the Equity Transfer Agreement A, and such parties do not violate such representations, warranties and guarantees up to the day of the completion of the Equity Transfer Agreement A;

- (c) information, documents, materials and data provided by Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A to Sichuan Yunmao, Chengdu Bomao and the Company (including the employees of and third parties engaged by which) being true, accurate and complete in all aspects and does not contain false records, misleading statements, or material omissions;
- (d) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A having confirmed each of their disclosure regarding the Target Company A in relation to its equity, legal, financial, taxation, corporate, operating business and affairs, contracts, properties and business conditions and other incidental matters for the due diligence are clear and settled, and Sichuan Yunmao and Chengdu Bomao are satisfied with the results of such due diligence exercise completed;
- (e) during the Transition Period, the Target Company A operates legally and there being no material change to its registered capital, principal business and core assets, no material adverse change of its operation and no significant reduction in the value of the equity interest of which;
- (f) completion of all internal proceedings, including but not limited to passing and signing valid directors and shareholders written resolutions, of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A approving the Equity Transfer A;
- (g) the approval of the Directors and the Shareholders of the transactions contemplated under the Equity Transfer Agreement A (including allotment and issue of the Consideration Shares A) having been obtained;
- (h) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A having completed the relevant approval or filing procedures in relation to the Equity Transfer A requested by the relevant government authorities in the PRC, including but not limited to the necessary approval or filing procedures in relation to possible overseas investments involved, foreign exchange registration and other government approval procedures in relation to the issue and allotment of the Consideration Shares A to Sichuan Zhengzhuo (or its nominee) (if applicable);
- (i) the approval of the Stock Exchange in relation to the listing and trading of the Consideration Shares A;
- (j) Shenzhen Hongyuan and Sichuan Zhengzhuo procuring the pledgee (creditor) to release the pledge of the equity interest of the Target Company A and complete the registration and cancellation procedures of such pledge; and
- (k) completion of the Equity Transfer Agreement A being subject to the simultaneous completion of the Equity Transfer Agreement B, failure of either would lead to simultaneous failure of completion of the other.

If the conditions have not been satisfied within six months from the date of the Equity Transfer Agreement A, Sichuan Yunmao, Chengdu Bomao and the Company are entitled to terminate the Equity Transfer Agreement A unilaterally, upon which Shenzhen Hongyuan shall refund the Prepayment to Sichuan Yunmao and Chengdu Bomao within 10 Business Days.

Completion

Completion of the Equity Transfer A shall take place on the day when Sichuan Yunmao becomes the holder of 51% equity interest of the Target Company A registered by the relevant government authorities. Registration of the change in shareholding with the relevant government authorities shall be completed within 30 Business Days of satisfaction of all conditions precedent and the notice of approval of the change in particulars of the company issued (公司變更登記核准通知書) shall be provided to Sichuan Yunmao. Upon completion of the Equity Transfer Agreement A, Sichuan Yunmao will hold 51% of the registered capital of the Target Company A.

Equity Transfer Agreement B

Date: 8 December 2021

Parties:

- (1) Shenzhen Hongyuan (as seller);
- (2) Sichuan Zhengzhuo (as seller);
- (3) Sichuan Yunmao (as buyer);
- (4) Chengdu Bomao (as buyer);
- (5) the Target Company B; and
- (6) the Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Target Company B, Shenzhen Hongyuan and Sichuan Zhengzhuo and their ultimate beneficial owners is an Independent Third Party as at the date of this announcement.

Subject matter

Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest BI and the Sale Interest BII (both being 25.5% of the equity interest in the Target Company B) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest BI and the Sale Interest BII, respectively, in the aggregate consideration of RMB26,010,000.

Consideration

The aggregate consideration of the Equity Transfer B, being the Consideration B, is RMB26,010,000 and is to be settled in the following manner:

- (i) RMB13,005,000, being 50% of the Consideration B, will be payable to Shenzhen Hongyuan and settled by cash as follows:
 - (a) RMB5,000,000, being approximately 38.4% of the Cash Consideration B, by Sichuan Yunmao after completion of the Equity Transfer Agreement B and before 31 December 2023; and
 - (b) RMB8,005,000, being approximately 61.6% of the Cash Consideration B, by Sichuan Yunmao after completion of the Equity Transfer Agreement B and before 31 December 2024; and
- (ii) RMB13,005,000, being 50% of the Consideration B, will be settled by allotment and issue of 18,685,881 Consideration Shares B at the Issue Price of HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee) within 60 Business Days of the date of completion of the Equity Transfer Agreement B.

The Consideration B was determined by the parties after arm's length negotiations with reference to and taking into account the past financial performance and future prospects of the Target Company B and the fair value of 100% equity interest of the Target Company B of approximately RMB59,843,000 as at 31 August 2021 as appraised by an independent valuation company applying the asset-based approach.

The Cash Consideration B will be funded by the Group's internal resources and, if and when available, bank financing.

Conditions precedent

Completion shall be subject to the fulfilment of the following conditions precedent:

- (a) the Equity Transfer Agreement B being legally executed and valid;
- (b) all representations, warranties and guarantees of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B remaining true, accurate and complete on the date of the Equity Transfer Agreement B, and such parties do not violate such representations, warranties and guarantees up to the date of the completion of the Equity Transfer Agreement B;
- (c) information, documents, materials and data provided by Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B to Sichuan Yunmao, Chengdu Bomao and the Company (including the employees of and third parties engaged by which) being true, accurate and complete in all aspects and does not contain false records, misleading statements, or material omissions;
- (d) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B having confirmed each of their disclosure regarding the Target Company B in relation to its equity, legal, financial, taxation, corporate, operating business and affairs,

contracts, properties and business conditions and other incidental matters for the due diligence are clear and settled, and Sichuan Yunmao and Chengdu Bomao are satisfied with the results of such due diligence exercise completed;

- (e) during the Transition Period, the Target Company B operates legally and there being no material change to its registered capital, principal business and core assets, no material adverse change of its operation and no significant reduction in the value of the equity interest of which;
- (f) completion of all internal proceedings, including but not limited to passing and signing valid directors and shareholders written resolutions, of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B approving the Equity Transfer B;
- (g) the approval of the Directors and the Shareholders of the transactions contemplated under the Equity Transfer Agreement B (including allotment and issue of the Consideration Shares B) having been obtained;
- (h) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B having completed the relevant approval or filing procedures in relation to the Equity Transfer B requested by the relevant government authorities in the PRC, including but not limited to the necessary approval or filing procedures in relation to possible overseas investments involved, foreign exchange registration and other government approval procedures in relation to the issue and allotment of the Consideration Shares B to Sichuan Zhengzhuo (or its nominee) (if applicable);
- (i) the approval of the Stock Exchange in relation to the listing and trading of the Consideration Shares B;
- (j) Shenzhen Hongyuan and Sichuan Zhengzhuo procuring the pledgee (creditor) to release the pledge of the equity interest of the Target Company B and complete the registration and cancellation procedures of such pledge; and
- (k) completion of the Equity Transfer Agreement B being subject to the simultaneous completion of the Equity Transfer Agreement A, failure of either would lead to simultaneous failure of completion of the other.

If the conditions have not been satisfied within six months from the date of the Equity Transfer Agreement B, Sichuan Yunmao, Chengdu Bomao and the Company are entitled to terminate the Equity Transfer Agreement B unilaterally.

Completion

Completion of the Equity Transfer B shall take place on the day when Sichuan Yunmao becomes the holder of 51% equity interest of the Target Company B registered by the relevant government authorities. Registration of the change in shareholding with the relevant government authorities shall be completed within 30 Business Days of satisfaction of all conditions precedent and the notice of approval of the change in

particulars of the company issued (公司變更登記核准通知書) shall be provided to Sichuan Yunmao. Upon completion of the Equity Transfer Agreement B, Sichuan Yunmao will hold 51% of the registered capital of the Target Company B.

New structured contracts

Chengdu Bomao will enter into a new set of structured contracts with members of the Target Group and Sichuan Yunmao, which will become effective upon the Completion. Thus, Sichuan Yunmao and the Target Group will become Consolidated Affiliated Entities upon the Completion. And, the Group will obtain control over and derive economic benefits from the Target Group and Sichuan Yunmao, and the financial results of which will be consolidated into the accounts of the Group.

CONSIDERATION SHARES

The Consideration Shares, being 214,057,874 new Shares of an aggregate nominal value of HK\$2,140,578.74 (with a par value of HK\$0.01 each), will be issued at the Issue Price of HK\$0.85 per Share. Based on the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on 29 November 2021, the trading day immediately preceding the date of this announcement, the aggregate market value of the Consideration Shares is approximately HK\$99.5 million.

As at the date of this announcement, the Company had 821,856,000 Shares in issue. The Consideration Shares represent:

- (i) approximately 26.05% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 20.66% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price represents:

- (i) a premium of approximately 82.8% over the closing price of HK\$0.465 per Share as quoted on the Stock Exchange on 29 November 2021, the trading day immediately preceding the date of this announcement; and
- (ii) a premium of approximately 81.6% over the average closing price of approximately HK\$0.468 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of this announcement.

The Issue Price of HK\$0.85 per Consideration Share was arrived at after arm's length negotiation between the Company and Sichuan Zhengzhuo. Having considered the prevailing market price of the Shares, the reasons for and benefits of the Equity Transfer Agreements as described in the section headed "Reasons for and benefits of the Equity Transfer Agreements, the Cooperation Agreement and the Loan Agreements" in this announcement and the future prospects and development of the Group's business, the Directors consider that the Issue Price is fair and reasonable and the allotment and issuance of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

Immediately following the allotment and issue of the Consideration Shares, Sichuan Zhengzhuo (or its nominee) will own approximately 20.66% of the enlarged issued share capital of the Company. The Consideration Shares, when issued, will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of the allotment and issuance of the Consideration Shares. Holders of such Consideration Shares shall be entitled to receive all future dividends and distributions that are declared after the date of the allotment and issue of the Consideration Shares.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The allotment and issue of the Consideration Shares will not result in a change of control of the Company. The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought by the Company at the EGM. There are no restrictions which apply to the subsequent sale of the Consideration Shares.

Changes in shareholding structure of the Company

The following table illustrates the changes in the shareholding structure of the Company as at the date of this announcement and immediately after the allotment and issue of the Consideration Shares:

Name of Shareholder	As at the date of this announcement		Immediately after allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate percentage of issued Shares</i>	<i>Number of Shares</i>	<i>Approximate percentage of issued Shares</i>
Act Glory Global Limited ⁽¹⁾	233,920,000	28.46	233,920,000	22.58
Cosmic City Holdings Limited ⁽²⁾	82,853,550	10.08	82,853,550	8.00
Wuxi Guolian Shoukong Capital Investment LLP* 無錫國聯首控股權投資 基金中心 (有限合夥) ⁽³⁾	150,000,000	18.25	150,000,000	14.48
Sichuan Zhengzhuo (or its nominee)	—	—	214,057,874	20.66
Public Shareholders	<u>355,082,450</u>	<u>43.21</u>	<u>355,082,450</u>	<u>34.28</u>
Total	<u>821,856,000</u>	<u>100.00</u>	<u>1,035,913,874</u>	<u>100.00</u>

Notes:

- (1) Act Glory Global Limited is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Act Best Global Limited, which is solely and beneficially owned by Mr. Wang Jinglei. Therefore, Mr. Wang Jinglei and Act Best Global Limited are deemed to be interested in the 233,920,000 Shares held by Act Glory Global Limited by virtue of the SFO.
- (2) Cosmic City Holdings Limited is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Mr. Xiong Tao. Mr. Xiong Tao passed away on 18 August 2020.
- (3) Wuxi Guolian Shoukong Capital Investment LLP (“**Wuxi Guolian**”) is a limited partnership established in the PRC and its general partner is Wuxi Shoukong Lianxin Investment Management LLP (“**Wuxi Shoukong Lianxin**”), a limited partnership established in the PRC. The general partner of Wuxi Shoukong Lianxin is First Capital Fund Management Company Limited (“**First Capital Fund**”), a limited liability company established in the PRC. First Capital Fund is wholly-owned by Shanghai Shenlian Investment Management Company Limited (“**Shanghai Investment Management**”), a limited liability company established in the PRC. Shanghai Investment Management is wholly-owned by Shanghai Jintang Investment Consultancy Company Limited (“**Shanghai Jintang**”), a limited company established in the PRC. Shanghai Jintang is wholly-owned by Brilliant Rich International Holdings Limited (“**Brilliant Rich International**”), a limited liability company incorporated in Hong Kong. Brilliant Rich International is wholly-owned by Brilliant Rich Holdings Limited (“**Brilliant Rich**”), a limited liability company incorporated in BVI. Brilliant Rich is wholly-owned by China First Capital Group Limited (“**CFC**”), a limited liability company incorporated in the Cayman Islands and the issued shares of which are listed on the Stock Exchange (stock code: 1269). Thus, Wuxi Shoukong Lianxin, First Capital Fund, Shanghai Investment Management, Shanghai Jintang, Brilliant Rich International, Brilliant Rich and CFC are deemed to be interested in the Shares held by Wuxi Guolian under the SFO. On 24 September 2020, Wuxi Guolian, as mortgagor, executed a deed of share mortgage in favour of Zhongyuan Bank Co., Ltd., as mortgagee, pursuant to which Wuxi Guolian agreed to mortgage the 150,000,000 Shares it holds in favour of Zhongyuan Bank Co., Ltd.

As at the date of this announcement, the Company had an authorised share capital of HK\$50 million divided into 5,000,000,000 Shares of HK\$0.01 each and the Company had an issued share capital of HK\$8,218,560 divided into 821,856,000 Shares of HK\$0.01 each.

(2) MAJOR AND CONTINUING CONNECTED AND DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCIAL ASSISTANCE

The Vocational College, a wholly-owned subsidiary of the Target Company A, entered into (i) the Loan Agreement I dated 19 October 2021 with the Target Company B pursuant to which the Vocational College agreed to provide a loan of approximately RMB237.2 million to the Target Company B for a term of three years from 19 October 2021 to 18 October 2024 (being the Financial Assistance I) and (ii) the Loan Agreement II dated 28 July 2020 with Shenzhen Hongyuan pursuant to which the Vocational College agreed to provide a loan of RMB30.0 million to Shenzhen Hongyuan for a term of two years from 29 July 2020 to 28 July 2022 (being the Financial Assistance II).

The Financial Assistance I and the Financial Assistance II will constitute financial assistance received by the Target Company B and Shenzhen Hongyuan, respectively, from the Vocational College upon the allotment and issue of the Consideration Shares

to Sichuan Zhengzhuo (or its nominee) and upon the Completion, respectively, and accordingly, continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The principal terms and conditions of the Loan Agreements are as follow:

The Loan Agreement I

Date

19 October 2021

Parties

- (1) the Vocational College (as lender)
- (2) the Target Company B (as borrower)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vocational College, the Target Company B and their ultimate beneficial owners is an Independent Third Party as at the date of this announcement.

Principal amount

RMB237,233,076.86

Term

From 19 October 2021 to 18 October 2024

Interest rate

4.75% per annum, being the interest rate announced by the People's Bank of China

Default

Upon default, interest rate of 6% per annum will be charged to outstanding amount from the date of the Loan Agreement I

The Loan Agreement II

Date

28 July 2020

Parties

- (1) the Vocational College (as lender)
- (2) Shenzhen Hongyuan (as borrower)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vocational College, Shenzhen Hongyuan and their ultimate beneficial owners is an Independent Third Party as at the date of this announcement.

Principal amount

RMB30.0 million

Term

From 29 July 2020 to 28 July 2022

Interest rate

4.75% per annum, being the interest rate announced by the People's Bank of China

Default

Upon default, interest rate of 6% per annum will be charged to outstanding amount from the date of the Loan Agreement II

(3) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO COOPERATION ARRANGEMENT

The Vocational College and the Target Company B entered into the Cooperation Agreement dated 11 January 2021, pursuant to which the parties agreed to operate a training base (實訓基地) for advanced vocational education from autumn 2021. Under the Cooperation Agreement, the Vocational College would provide training services to its students at the premises and facilities which are owned by the Target Company B for a term of three years from 1 September 2021 to 31 August 2024 and the Target Company B shall provide management and maintenance services at the premises.

The principal terms and conditions of the Cooperation Agreement are as follow:

Date

11 January 2021

Parties

(1) the Vocational College

(2) the Target Company B

Subject matter

The Vocational College and the Target Company B agreed to operate a training base (實訓基地) for advanced vocational education from autumn 2021 where the Vocational College would provide training services to its students at the premises and facilities which are owned by the Target Company B and the Target Company B shall provide management and maintenance services at the premises.

Term

From 1 September 2021 to 31 August 2024

Pricing and revenue-sharing arrangement

The Vocational College shall pay management fees, which are equivalent to the aggregate of the 20% of the tuition fees and 50% of the dormitory fees received from students who use the training base, to the Target Company B within three months of the commencement of every school year.

Responsibilities

The Vocational College shall have the following duties:

- (i) formulate and supervise the implementation of various regulations and systems in relation to student management, teaching and training management as required by the training base to ensure the quality of teaching and training; and
- (ii) develop a list of students to be assigned to the training base, determine the types of courses to be opened, formulate training goals, guide the organisation and implementation of the teaching and training process, dispatch and train teaching and management personnel and back office staff and provide relevant teaching, management and back office services, build and maintain a platform providing online teaching materials, and guide and supervise teaching practice according to the requirements of the training objectives.

The Target Company B as the owner of the campus and relevant facilities, shall have the following duties:

- (i) arrange for the use of venue and support to ensure teaching quality;
- (ii) provide venue and other facilities necessary for operation of the training base; and
- (iii) assist the Vocational College in the organisation and implementation of relevant work.

Historical amounts and annual cap amounts proposed

As the courses concerned has only commenced in September 2021, the Vocational College had not paid any service or management fee to the Target Company B as at the date of this announcement.

The proposed annual cap amounts for the Cooperation Agreement are as follows:

	For the financial year ending 31 August		
	2022	2023	2024
Annual cap	RMB18,932,500	RMB30,027,500	RMB34,214,400

The above proposed annual cap amounts are determined with reference to, among others, the expected number of students assigned to the training base and the standard fee of the relevant course. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the annual cap amounts proposed were arrived at after arm's length negotiations between the parties.

The Company will monitor and ensure that the transactions under the Cooperation Agreement are conducted in accordance with the terms of the Cooperation Agreement and the aggregate fees payable thereunder will not exceed the annual caps proposed. The Board will also continue to review on a regular basis the Group's internal control system and its effectiveness in this regard. In addition, the auditor of the Company and the independent non-executive Directors will conduct an annual review on the continuing connected transactions of the Group.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENTS, THE COOPERATION AGREEMENT AND THE LOAN AGREEMENTS

The Group is principally engaged in the business of 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 in other provinces in the PRC and capture potential investment opportunities in the education industry.

The Target Group is principally engaged in the provision of private vocational education service in Sichuan Province, the PRC.

In recent years, the PRC government announced various plans and policies promoting the development of the vocational training industry. The Directors believe that the development of private vocational training industry will enter a golden era in view of such policies, which encourages high school graduates to pursue further studies at vocational training institutions and drives the demand for vocational education. Coupled with the vibrancy of the province in the development in vocational education, the Directors expect that more school-age students will choose to complete their studies in Sichuan Province in the future, and the Acquisition provide an opportunity for the Group to invest in the vocational training industry in Sichuan Province, given that the vocational education institutions owned by the Target Companies are well-established in Chengdu.

The Financial Assistance I will facilitate the efficient allocation of financial resources within the Group as enlarged by the Acquisition instead of incurring additional financial costs resulting from the Target Company B obtaining external financing.

The Financial Assistance II is the financial assistance provided by the Vocational College to an original shareholder, being Shenzhen Hongyuan, which represents the balance of advances between the two of amounts used to settle expenses arisen during the operation of the Target Company A and its subsidiaries, thus beneficial to their daily operation.

In order to maintain and consolidate the leading position in the private education market in Chengdu, the PRC, the Group will adopt the strategies of establishing new schools or new school premises to expand the school network and providing high-quality education. Taking into account (i) the well-established team of experienced and qualified teachers of the Vocational College in conducting vocational trainings programmes since its establishment in 2013; and (ii) the availability of premises and training facilities owned by the Target Company B, the provision of training services by the Vocational College to its students at the properties of the Target Company B pursuant to the Cooperation Agreement would optimise the allocation of resources within the Group.

Having considered the above reasons for and benefits of the Financial Assistance I and the Cooperation Arrangement, the Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be contained in the circular to be issued by the Company) are of the view that the Financial Assistance I and the Cooperation Arrangement (including the proposed annual cap amounts) are on normal commercial terms or better and the terms of the Financial Assistance I and the Cooperation Arrangement are fair and reasonable and that the Financial Assistance I and the Cooperation Arrangement are in the interests of the Company and the Shareholders as a whole. Having considered the above reasons for and benefits of the Acquisition and the Financial Assistance II, the Directors are of the view that the Acquisition and the Financial Assistance II are on normal commercial terms or better and their terms are fair and reasonable and that the Acquisition and the Financial Assistance II are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

Chengdu Bojun

Chengdu Bojun is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. Chengdu Bojun is principally engaged in the provision of education consultancy.

Chengdu Bomao

Chengdu Bomao is a limited liability company established in the PRC and a wholly owned subsidiary of the Company. Chengdu Bomao is principally engaged in the business of education investment and management.

Sichuan Yunmao

Sichuan Yunmao is a limited liability company established in the PRC and will be a Consolidated Affiliated Entity upon the Completion. As at the date of this announcement, Sichuan Yunmao is solely held by the executive Director, Mr. Wang Jinglei. Prior to the completion of the Equity Transfer Agreements, Chengdu Bomao, Sichuan Yunmao, the Target Group will enter into a new set of structured contracts. Thus, Sichuan Yumao, the

Target Company A, the Target Company B, the Vocational College and the Vocational School will become Consolidated Affiliated Entities. Sichuan Yunmao is principally engaged in the business of education investment and management.

Shenzhen Hongyuan

Shenzhen Hongyuan is a limited liability company established in the PRC on 17 November 2016. It is principally engaged in the business of investment holding, mainly of education-related business. As at the date of this announcement, Shenzhen Hongyuan holds 51% equity interest in the Target Company A and 50% equity interest in the Target Company B and is ultimately owned by Mr. Wang Honglun as to 60% and Mr. Wang Pengcheng as to 40%, each of them is a PRC citizen of PRC nationality and an Independent Third Party.

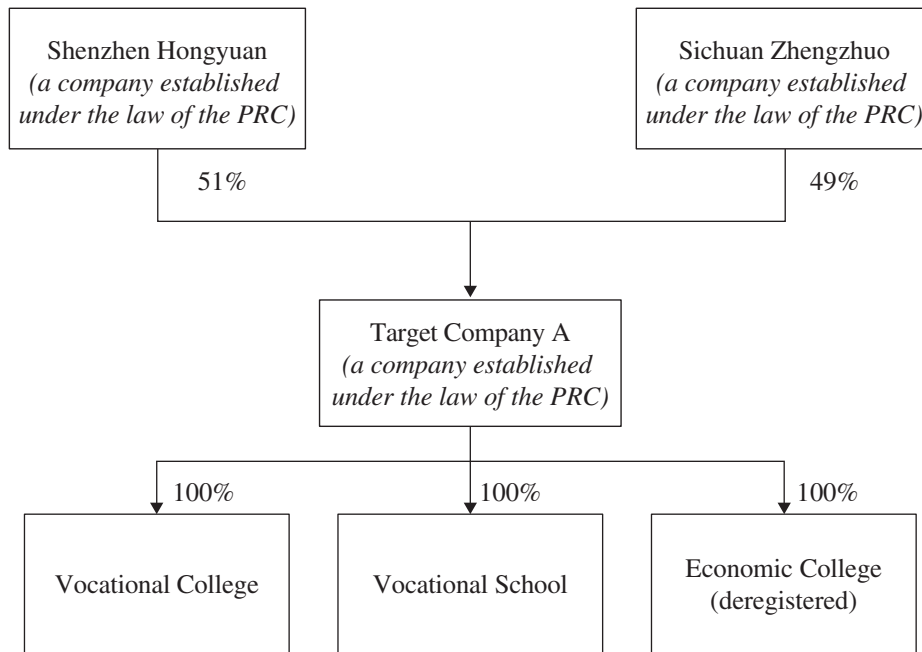
Sichuan Zhengzhuo

Sichuan Zhengzhuo is a limited liability company established under the laws of the PRC on 17 June 2015. It is principally engaged in the business of investment holding, mainly of education-related business. As at the date of this announcement, Sichuan Zhengzhuo holds 49% equity interest in the Target Company A and 50% equity interest in the Target Company B and is ultimately owned by Mr. Li Yafei, Ms. Cao Youqin, Mr. Li Yuankai and Ms. Zhang Rong as to 75.5%, 18.2%, 3.5% and 2.8%, respectively, each of them is a PRC citizen of PRC nationality and an Independent Third Party.

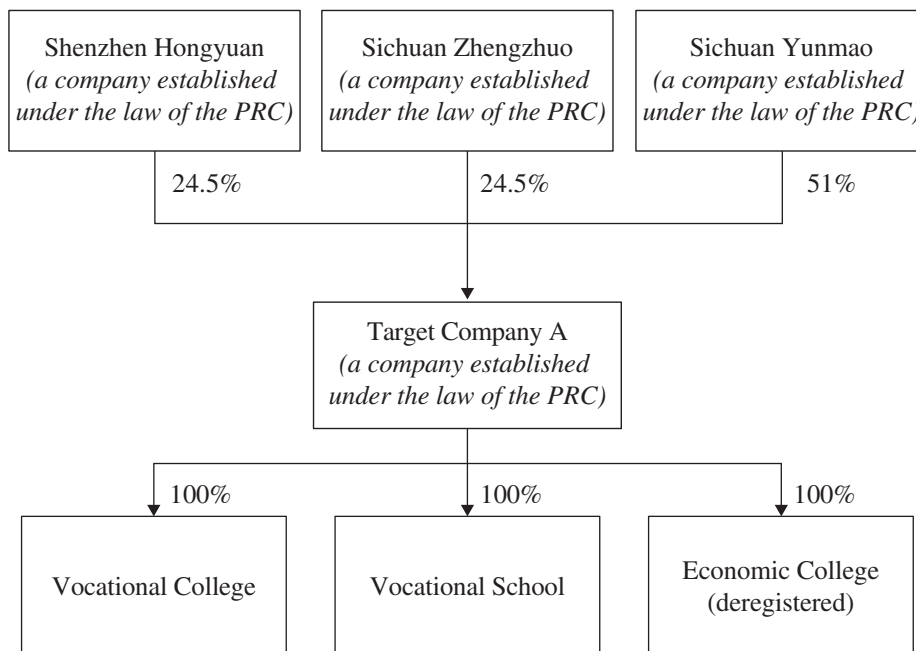
The Target Company A, the Vocational College and the Vocational School

The Target Company A is a limited liability company established under the laws of the PRC on 6 July 2012. It is principally engaged in the management of vocational education institutions and is the school sponsor of the two operating vocational education institutions, being the Vocational College and the Vocational School. Prior to the Completion and as at the date of this announcement, the Target Company A is owned by Sichuan Zhengzhuo as to 49% and Shenzhen Hongyuan as to 51%, each of which and their ultimate beneficial owners is an Independent Third Party. Upon the Completion, the Target Company A will be owned by Sichuan Yunmao as to 51%, Shenzhen Hongyuan as to 24.5% and Sichuan Zhengzhuo as to 24.5%.

Set out below is the shareholding structure of the Target Group A as at the date of this announcement and prior to the Completion:



Set out below is the shareholding structure of the Target Group A immediately after the Completion:



The Vocational College was established in 2013 in Sichuan Province, the PRC, and is wholly-owned by the Target Company A as at the date of this announcement. It and its ultimate beneficial owners are all Independent Third Parties. It is a formal higher vocational education institution (普通高等職業學校), which offers three-year and five-year vocational programmes. Students who enter the Vocational College have generally completed their high school education. The Vocational College offers students with vocational training programmes in different majors, covering accounting, marketing, financial management, business administration, e-commerce management, early childhood education, construction design, nursing and elderly service management. The Vocational College owns the land use right of a parcel of land of a site area of approximately 386,620 sq.m., with various academic buildings and facilities, used as school campus. The preliminary market value of the property interest held by the Target Group A amounted to approximately RMB932 million as at 30 September 2021.

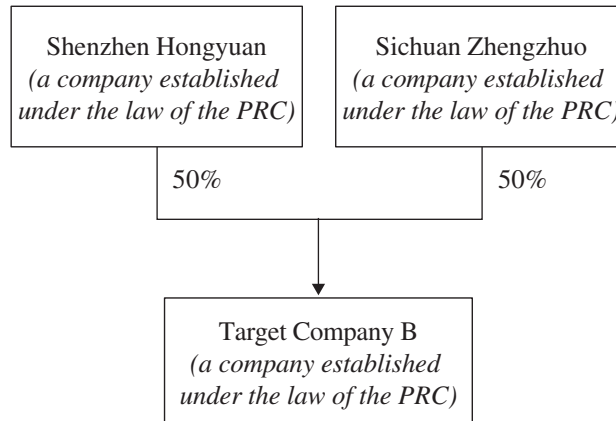
The Vocational School was established in 2012 in Sichuan Province, the PRC. It is a secondary vocational education institution (中等職業教育學校), which offers three-year vocational programmes. Students who enter the Vocational School have generally completed their middle school education. The Vocational School offers students with vocation training programmes in different majors, covering accounting, computer application, railway transportation management, early childhood education, hospitality management and building construction. It runs the vocation training programmes at the school campus owned by the Vocational College.

The Economic College was established in 2011 in Sichuan Province, the PRC. As at the date of this announcement, the Economic College has ceased operation and was deregistered.

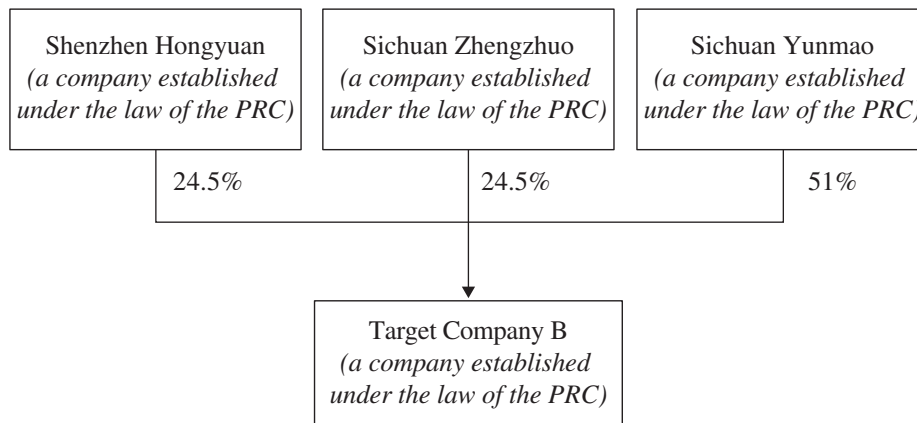
The Target Company B

The Target Company B is a limited liability company established under the laws of the PRC on 5 March 2020. It is principally engaged in the business of investment in vocational education institution. Prior to the Completion and as at the date of this announcement, the Target Company B is owned by Sichuan Zhengzhuo as to 50% and Shenzhen Hongyuan as to 50%, each of which and their ultimate beneficial owners is an Independent Third Party. Upon the Completion, the Target Company B will be owned by Sichuan Yunmao as to 51%, Shenzhen Hongyuan as to 24.5% and Sichuan Zhengzhuo as to 24.5%. The Target Company B owns the land use right of a parcel of land of a site area of approximately 547,574.13 sq.m., with various academic buildings and facilities completed and under construction, currently or expected to be used as school campus. It is intended the school campus will be used for provision of vocational education services in the future. The preliminary market value of the property interest held by the Target Company B amounted to approximately RMB871 million as at 30 September 2021.

Set out below is the shareholding structure of the Target Company B as at the date of this announcement and prior to the Completion:



Set out below is the shareholding structure of the Target Company B immediately after the Completion:



Financial information

The Target Group A

The unaudited consolidated financial statements of the Target Group A for the three years ended 31 December 2020 and the eight months ended 31 August 2021 are summarised and set out below:

	For the year ended 31 December			For the eight months ended
	2018	2019	2020	31 August 2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	121,095	141,683	148,034	106,938
(Loss) profit before tax	(20,204)	12,140	(17,054)	(78,780)
(Loss) profit after tax	(23,403)	5,581	(17,054)	(78,780)

As at 31 August 2021, the unaudited consolidated net assets of the Target Group A amounted to approximately RMB489.3 million.

The Target Company B

The unaudited financial statements of the Target Company B for the period from 5 March 2020 (date of registration of the Target Company B) to 31 December 2020 and the eight months ended 31 August 2021, are summarised and set out below:

	From 5 March 2020 (date of registration of the Target Company B) to 31 December 2020	For the eight months ended 31 August 2021
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—
Loss before tax	(850)	(888)
Loss after tax	(850)	(888)

As at 31 August 2021, the unaudited net liabilities of the Target Company B amounted to approximately RMB1.7 million.

Upon the Completion, Sichuan Yunmao will hold 51% of the registered capital of each of the Target Companies. Prior to the Completion, Chengdu Boamo will enter into new sets of structured contracts with members of the Target Group and Sichuan Yunmao, which will become effective upon the Completion, and members of the Target Group and Sichuan Yunmao will become Consolidated Affiliated Entities. Thus the Group will obtain control over and derive economic benefits from the Target Group and Sichuan Yunmao and the financial results of the Target Group and Sichuan Yunmao will be consolidated into the accounts of the Group.

Foreign investment in education industry in the PRC

As advised by the PRC legal adviser of the Group, namely Sichuan Mingju Law Firm, the business of provision of vocational training is subject to foreign investment restrictions under the Negative List. According to the Negative List, foreign investment in vocational training institutions are permitted and the shareholding percentage of foreign investment in the business shall not exceed 50%. According to the Implementation Opinions of the Ministry of Education of the PRC on Encouraging and Guiding the Entry of Private Capital into the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資本進入教育領域促進民辦教育健康發展的實施意見》), which aims at encouraging private investment and foreign investment in the field of education, the proportion of foreign capital contribution in a Sino-foreign cooperative school shall be less than 50%. Moreover, according to the Notice of Certain Measures on Supporting Private Education issued by the People's Government of Chengdu (《成都市人民政府關於印發促進民辦教育健康規範發展若干措施的通知》) issued in January 2020, foreign investment in vocational education institutions is encouraged. Given that Sichuan Yunmao will hold 51% equity interest in each of the Target Companies, of which the Target Company A is the sponsor of operating vocational education institutions, and after having consulted the Education Department of Chengdu on the qualification of school sponsor of vocational education institutions, the PRC legal adviser is of the view that the Acquisition would not affect the school qualification of the Vocational College and the Vocational School and would not be in breach of the Negative List. As advised by the PRC legal adviser, the Acquisition is in compliance with applicable laws and regulations of the PRC.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but does not exceed 100%, the Acquisition constitute major transactions 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.

Upon the Completion, Shenzhen Hongyuan and Sichuan Zhengzhuo will become substantial shareholders of two Consolidated Affiliated Entities (i.e. the Target Companies), thus connected persons of the Company at subsidiary level. Upon the allotment of the Consideration Shares to Sichuan Zhengzhuo (or its nominee) after the Completion, Sichuan Zhengzhuo will become a connected person at issuer level and, thus, both of the Target Company B and the Vocational College will become connected subsidiaries of the Company according to Rule 14A.16(1) of the Listing Rules.

The Financial Assistance I

Upon the allotment of the Consideration Shares to Sichuan Zhengzhuo (or its nominees), the transaction contemplated under the Loan Agreement I will constitute a provision of financial assistance by the Group to the Target Company B, which is a connected subsidiary, and, thus, constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules and a notifiable transaction under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Financial Assistance I exceeds 25% but does not exceed 100%, and the value of such financial assistance plus any monetary advantage are more than HK\$10,000,000, such financial assistance (i) is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules and (ii) constitute a major transaction for the Company, thus subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Financial Assistance II

Upon the Completion, the transaction contemplated under the Loan Agreement II will constitute a provision of financial assistance by the Group to Shenzhen Hongyuan, which is a connected person at subsidiary level, and, thus, constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules and a notifiable transaction under Chapter 14 of the Listing Rules. As (i) the highest applicable percentage ratio in respect of the Financial Assistance II exceeds 5% but does not exceed 25%; (ii) the Board has approved of the Loan Agreement II; and (iii) the independent non-executive Directors have confirmed that the terms of the Loan Agreement II are fair and reasonable and the transactions contemplated under the Loan Agreement II are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the transactions contemplated under the Loan Agreement II (i) are subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules and (ii) constitutes a discloseable transaction, thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Cooperation Arrangement

Upon the allotment of the Consideration Shares to Sichuan Zhengzhuo (or its nominees), the transaction contemplated under the Cooperation Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The proposed annual cap amounts in relation to the Cooperation Agreement for the years ending 31 August 2022 to 2024 are RMB18,932,500, RMB30,027,500 and RMB34,214,400, respectively. As the highest applicable percentage ratio in respect of the annual caps proposed for the transactions contemplated under the Cooperation Agreement exceeds 5% but does not exceed 25%, such transactions are therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Financial Assistance I and the Cooperation Arrangement (including the annual cap amounts proposed). Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

EGM

The EGM will be held to consider and if thought fit, to approve the Equity Transfer Agreements, the Cooperation Agreement and the Loan Agreement I, and the transactions contemplated thereunder (including the Specific Mandate and the annual cap amounts proposed). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition, the Cooperation Arrangement and the Financial Assistance I. Accordingly, no Shareholders will be required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Equity Transfer Agreements, the Cooperation Agreement and the Loan Agreement I and the transactions contemplated thereunder (including the Specific Mandate and the annual cap amounts proposed). None of the Directors have material interest in the Equity Transfer Agreements, the Cooperation Agreement and the Loan Agreements, and the transactions contemplated thereunder (including the Specific Mandate and the annual cap amounts proposed), and no Directors have abstained from voting on the relevant board resolutions relating to the same.

GENERAL

A circular containing, among other things, further information regarding the Acquisition, the Cooperation Agreement and the Loan Agreement I and the transactions contemplated thereunder (including the Specific Mandate and the annual cap amounts proposed), other information as required under the Listing Rules, together with a notice of the EGM will be despatched to the Shareholders on or before 31 January 2022 as additional time is required for preparation of relevant information to be included in the circular.

Trading Halt

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 30 November 2021, pending the release of an announcement on the annual results of the Company for the year ended 31 August 2021 and announcement(s) which may constitute inside information of the Company. For details, please refer to the announcement of the Company dated 30 November 2021.

Completion under the Equity Transfer Agreements is subject to the satisfaction of the conditions precedent which are more particularly described in the sections headed “The Equity Transfer Agreements — Equity Transfer Agreement A — Conditions precedent” and “The Equity Transfer Agreements — Equity Transfer Agreement B — Conditions precedent” of this announcement. There is no assurance that any of the conditions precedent to the Equity Transfer Agreements will be fulfilled. Therefore, the Acquisition 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

In this announcement, unless otherwise defined, terms used shall have the following meanings:

“Acquisition”	the acquisition of the equity interest contemplated under the Equity Transfer Agreements
“Announcements”	the announcements of the Company dated 11 September 2020, 16 October 2020, 11 January 2021, 19 August 2021, 31 August 2021 and 25 November 2021 relating to, amongst other things, the Capital Injection Agreement and the transactions contemplated thereunder, and arrangement in relation to the Prepayment
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in the PRC are generally open for business
“BVI”	the British Virgin Islands
“Capital Injection”	the proposed subscription of the capital in Shenzhen Hongyuan by Chengdu Bojun under the Capital Injection Agreement
“Capital Injection Agreement”	the capital contribution agreement dated 11 September 2020 (as amended and supplemented by supplemental agreements) entered into between Chengdu Bojun, the Initial Shareholder and Shenzhen Hongyuan in respect of the Capital Injection
“Cash Consideration A”	RMB147,075,000, being approximately 51.96% of the Consideration A, to be settled by cash payable to Shenzhen Hongyuan (RMB73.5 million of which to be set off by the Prepayment) in relation to Sale Interest AI
“Cash Consideration B”	RMB13,005,000, being 50% of the Consideration B, to be settled by cash payable to Shenzhen Hongyuan in relation to Sale Interest BI
“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 an indirect wholly-owned subsidiary of the Company

“Chengdu Bomao”	Chengdu Bomao Education Management Company Limited* (成都博懋教育管理有限公司), a limited liability company established under the laws of the PRC on 9 July 2020 and a wholly-owned subsidiary of the Company
“Company”	Bojun Education Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Stock Exchange
“Completion”	the completion of the Equity Transfer A and the Equity Transfer B
“Consideration”	the consideration to be paid by Sichuan Yunmao to Shenzhen Hongyuan and Sichuan Zhengzhuo respectively pursuant to the Equity Transfer Agreements
“Consideration A”	the consideration to be paid by Sichuan Yunmao to Shenzhen Hongyuan and Sichuan Zhengzhuo respectively pursuant to the Equity Transfer Agreement A
“Consideration B”	the consideration to be paid by Sichuan Yunmao to Shenzhen Hongyuan and Sichuan Zhengzhuo respectively pursuant to the Equity Transfer Agreement B
“Consideration Shares”	the Consideration Shares A and the Consideration Shares B
“Consideration Shares A”	195,371,993 new Shares to be issued to Sichuan Zhengzhuo (or its nominee) at an issue price of HK\$0.85, being approximately 48.04% of the Consideration A in relation to Sale Interest AII
“Consideration Shares B”	18,685,881 new Shares to be issued to Sichuan Zhengzhuo (or its nominee) at an issue price of HK\$0.85, being 50% of the Consideration B in relation to Sale Interest BII
“Consolidated Affiliated Entity(ies)”	the entity(ies) that the Company will control through the contractual arrangement contemplated under new structured contracts to be entered between Chengdu Bomao, Sichuan Yunmao and the Target Group
“Cooperation Agreement”	the agreement of cooperative operation of training base (合作經營實訓基地之協議) dated 11 January 2021 entered into between the Vocational College and the Target Company B in relation to operation of a training base by the parties together
“Cooperation Arrangement”	the cooperation arrangement contemplated under the Cooperation Agreement

“Director(s)”	the director(s) of the Company
“Economic College”	Sichuan Joint Economic College* (四川聯合經濟專修學院), one of the then subsidiaries of the Target Company A, as detailed in the announcement of the Company dated 11 September 2020, which ceased operation and has been deregistered by the Target Company A in December 2020
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Equity Transfer Agreements, the Loan Agreement I, the Cooperation Agreement and the transactions contemplated thereunder (including the Specific Mandate)
“Equity Transfer A”	the transfer of Sale Interest AI by Shenzhen Hongyuan and Sale Interest AII by Sichuan Zhengzhuo to Sichuan Yunmao pursuant to the Equity Transfer Agreement A
“Equity Transfer B”	the transfer of Sale Interest BI by Shenzhen Hongyuan and Sale Interest BII by Sichuan Zhengzhuo to Sichuan Yunmao pursuant to the Equity Transfer Agreement B
“Equity Transfer Agreements”	the Equity Transfer Agreement A and the Equity Transfer Agreement B
“Equity Transfer Agreement A”	the agreement dated 8 December 2021 entered into among the Company, Shenzhen Hongyuan, Sichuan Zhengzhuo, Chengdu Bojun, the Target Company A, Chengdu Bomao and Sichuan Yunmao in relation to the Equity Transfer A
“Equity Transfer Agreement B”	the agreement dated 8 December 2021 entered into among the Company, Shenzhen Hongyuan, Sichuan Zhengzhuo, the Target Company B, Chengdu Bomao and Sichuan Yunmao in relation to the Equity Transfer B
“Financial Assistance I”	the financial assistance of approximately RMB237.2 million provided by the Vocational College to the Target Company B pursuant to the Loan Agreement I
“Financial Assistance II”	the financial assistance of RMB30.0 million provided by the Vocational College to Shenzhen Hongyuan pursuant to the Loan Agreement II
“Group”	the Company and its subsidiaries and the Consolidated Affiliated Entities
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region of the PRC

“Hong Kong”	Hong Kong Special Administrative Region
“Independent Board Committee”	an independent committee of the Board, comprising all the four independent non-executive Directors, established to advise the Independent Shareholders in respect of the Financial Assistance I and the Cooperation Arrangement (including the proposed annual cap amounts)
“Independent Third Party(ies)”	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company or the Directors, chief executive, or substantial Shareholders of the Company or any of its subsidiaries or their respective associates
“Initial Shareholder”	Pi County Langjing Industrial Company Limited* (鄆縣朗經實業有限公司), a limited liability company established under the laws of the PRC on 23 July 2015 and an Independent Third Party
“Issue Price”	the issue price of HK\$0.85 per Consideration Share
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the Loan Agreement I and the Loan Agreement II
“Loan Agreement I”	the loan agreement dated 19 October 2021 entered into between the Vocational College and the Target Company B
“Loan Agreement II”	the loan agreement dated 28 July 2020 entered into between the Vocational College and Shenzhen Hongyuan
“Negative List”	Provisions in the Special Administrative Measures for Admission of Foreign Investments (Negative List) (2020 Version) (《外商投資准入特別管理措施(負面清單) (2020年版)》)
“PRC”	the People’s Republic of China and, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

“Prepayment”	RMB73,500,000, being 30% of the consideration to the Capital Injection Agreement, in cash paid by Chengdu Bojun to Shenzhen Hongyuan in September 2020 as prepayment which shall be applied as part of the Cash Consideration A to Shenzhen Hongyuan pursuant to the Equity Transfer Agreement A
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest AI”	26.5% of the equity interest in the Target Company A held by Shenzhen Hongyuan which represents 26.5% of the registered capital of the Target Company A as at the date of this announcement
“Sale Interest AII”	24.5% of the equity interest in the Target Company A held by Sichuan Zhengzhuo which represents 24.5% of the registered capital of the Target Company A as at the date of this announcement
“Sale Interest BI”	25.5% of the equity interest in the Target Company B held by Shenzhen Hongyuan which represents 25.5% of the registered capital of the Target Company B as at the date of this announcement
“Sale Interest BII”	25.5% the equity interest in the Target Company B held by Sichuan Zhengzhuo which represents 25.5% of the registered capital of the Target Company B as at the date of this announcement
“SFO”	Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shenzhen Hongyuan”	Shenzhen Hongyuan Education Investment Company Limited* (深圳弘遠教育投資有限公司) (previously known as Shenzhen Wenxuan Education Investment Company Limited* (深圳文軒教育投資有限公司)), a limited liability company incorporated in the PRC on 17 November 2016 and wholly-owned by the Initial Shareholder as at the date of this announcement

“Sichuan Yunmao”	Sichuan Yunmao Education Management Company Limited* (四川云懋教育管理有限公司), a limited liability company established under the laws of the PRC on 1 December 2021 as at the date of this announcement. It will become a Consolidated Affiliated Entity upon entering the new sets of structured contracts
“Sichuan Zhengzhuo”	Sichuan Zhengzhuo Industrial Company Limited* (四川正卓實業有限公司), a limited company established under the laws of the PRC on 17 June 2015 and owned by Independent Third Parties as at the date of this announcement
“Specific Mandate”	a specific mandate to issue, allot or otherwise deal in additional Shares to be sought from the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM to satisfy the issue and allotment of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	the Target Company A and the Target Company B
“Target Company A”	Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (previously 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)), a limited liability company established under the laws of the PRC in July 2012 and directly owned by Shenzhen Hongyuan as to 51% and Sichuan Zhengzhuo as to 49% as at the date of this announcement
“Target Company B”	Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司), a limited liability company incorporated in the PRC on 5 March 2020 and owned by Shenzhen Hongyuan as to 50% and Sichuan Zhengzhuo as to 50% as at the date of this announcement
“Target Group”	the Target Group A and the Target Company B
“Target Group A”	The Target Company A, the Vocational College and the Vocational School
“Transition Period”	from 31 August 2021 to the date when all handover work is completed

“Vocational College”	Sichuan Winshare Vocational College (Dayi Campus) (四川文軒職業學院大邑校區), a formal higher vocational education institution (普通高等職業學校) established in 2013
“Vocational School”	Sichuan Winshare Vocational School* (四川文軒職業學校), a secondary vocational education institution (中等職業教育學校) established in 2012
“%”	per cent

By Order of the Board
BOJUN EDUCATION COMPANY LIMITED
Wang Jinglei
Chairman of the Board and chief executive officer

Hong Kong, 8 December 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 purposes only*