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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS SERVICES TO PENINSULA KINDERGARTEN, LONGQUAN KINDERGARTEN, QINGYANG KINDERGARTEN, RIVERSIDE KINDERGARTEN AND YOUSHI KINDERGARTEN

RENEWAL AGREEMENT

On 30 June 2022, the Service Providers and the Kindergartens entered into the Renewal Agreement pursuant to which the Service Providers shall provide various management services to the Kindergartens for the three years ending 31 August 2025.

The aggregate annual caps proposed with respect to the transactions contemplated under the Renewal Agreement for the years ending 31 December 2023, 2024 and 2025 are RMB23,500,000 (equivalent to approximately HK\$27,495,000), RMB23,500,000 (equivalent to approximately HK\$27,495,000) and RMB24,400,000 (equivalent to approximately HK\$28,548,000), respectively.

LISTING RULES IMPLICATIONS

Mr. Wang Jinglei is an executive Director and a substantial Shareholder, holding an indirect interest in 233,920,000 Shares, representing approximately 28.46% of the issued shares of the Company, and, thus, a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The Kindergartens are ultimately owned as to (i) 93.26% by Mr. Wang Jinglei, (ii) 4.90% by Mr. Xie Gang, (iii) 0.92% by Mr. Zeng Guang and (iv) 0.92% by Ms. Li Jingmei. All Kindergartens are therefore associate of Mr. Wang Jinglei and connected persons of the Company, and the transactions contemplated under the Renewal Agreement constitute continuing connected transactions for the Company.

As the highest of the applicable percentage ratios of the aggregate annual caps proposed is more than 5%, transactions contemplated under the Renewal Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other than Mr. Wang Jinglei, none of the Directors has material interest in the Renewal Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

EGM

The EGM will be held to consider and if thought fit, to approve the Renewal Agreement and the transactions contemplated thereunder (including the annual caps proposed).

An Independent Board Committee, comprising Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei, Ms. Luo Yunping and Mr. Yang Yuan, all being independent non-executive Directors, has been established to consider the Renewal Agreement and the proposed annual caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the transactions contemplated under the Renewal Agreement and the proposed annual caps.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Renewal Agreement and the proposed annual caps.

Any Shareholders who have a material interest in the Renewal Agreement shall abstain from voting on the resolutions in relation thereto to be proposed at the EGM. As at the date of this announcement, Mr. Wang Jinglei is a substantial Shareholder, holding an indirect interest in 233,920,000 Shares, representing approximately 28.46% of the issued shares of the Company, and have material interest in the Renewal Agreement. As such, Mr. Wang Jinglei and his associates shall abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the Renewal Agreement and the proposed annual caps in the EGM.

A circular containing, among others, details of the Renewal Agreement and the transactions contemplated therein and other information as required by the Listing Rules, together with the notice convening the EGM and the proxy form in respect of the EGM, is expected to be despatched to the Shareholders in accordance with the Listing Rules.

The Renewal Agreement is subject to the satisfaction of the conditions precedent as described in this announcement. There is no assurance that any of such conditions precedent will be fulfilled. Therefore, the transactions contemplated under the Renewal Agreement may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

References are made to the announcement of the Company dated 31 May 2022 (the “**Announcement**”) in respect of the continuing connected transactions in relation to provision of services to the Kindergartens pursuant to the Management Agreement. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

On 30 June 2022, the Service Providers and the Kindergartens entered into the Renewal Agreement pursuant to which the Service Providers shall provide various management services to the Kindergartens for the three years ending 31 August 2025.

The aggregate annual caps proposed with respect to the transactions contemplated under the Renewal Agreement for year ending 31 December 2023, 2024 and 2025 are RMB23,500,000 (equivalent to approximately HK\$27,495,000), RMB23,500,000 (equivalent to approximately HK\$27,495,000) and RMB24,400,000 (equivalent to approximately HK\$28,548,000), respectively.

RENEWAL AGREEMENT

- Date : 30 June 2022
- Parties : (i) Service Providers (being Chengdu Bojun, Chengdu Youshi Preschool Investment and Sichuan Boai)
- (ii) Kindergartens (being Peninsula Kindergarten, Longquan Kindergarten, Qingyang Kindergarten, Riverside Kindergarten and Youshi Kindergarten)
- Term : Three years from 1 September 2022 to 31 August 2025
- Subject Matter : Pursuant to the Renewal Agreement, the Kindergartens engaged the Service Providers to provide services as follows:
- (i) Education management services, which cover research and development services for improving teaching and education quality, provision of human resources management services, provision of manpower and advisory on nursery services;
- (ii) Brand management services, which cover the licence of the brand of “Youshi (幼獅)”, and event planning and management services; and
- (iii) Campus maintenance services.

Conditions precedent

The obligations of the Service Providers and the Kindergartens to perform their respective obligations under the Renewal Agreement shall be subject to and conditional upon:

- (i) the Independent Shareholders’ approval of the Company approving transactions contemplated under the Renewal Agreement, subject to compliance with the Listing Rules, having been obtained; and
- (ii) the Renewal Agreement being validly executed.

Historical transaction amounts, the annual caps proposed and the pricing basis

The existing aggregate annual caps under the Management Agreement is RMB8,350,000 for the year ending 31 August 2022. The fees payable by the Kindergartens to the Group shall be settled on or before 31 August 2022. The Group has closely monitored the transaction amounts under the Management Agreement. As at the date of this announcement, the annual caps for the transactions contemplated under the Management Agreement for the year ending 31 August 2022 have not been and are not expected to be exceeded.

The proposed annual caps for the transactions contemplated under the Renewal Agreement are calculated as follows:

Type of service	Determination basis	Maximum amount of fees payable by the Kindergartens For the year ending 31 August		
		2023	2024	2025
Education management services	It would be charged at 103% of the labour cost of the employees despatched by the Service Providers to the Kindergartens.	Shall not exceed RMB18,600,000 (equivalent to approximately HK\$21,762,000) per annum.	Shall not exceed RMB18,600,000 (equivalent to approximately HK\$21,762,000) per annum.	Shall not exceed RMB19,500,000 (equivalent to approximately HK\$22,815,000) per annum.
Brand management services	It would be charged at 7% of the tuition and boarding fees (保教費) collected by the Kindergartens.	Shall not exceed RMB2,700,000 (equivalent to approximately HK\$3,159,000) per annum.	Shall not exceed RMB 2,700,000 (equivalent to approximately HK\$3,159,000) per annum.	Shall not exceed RMB2,700,000 (equivalent to approximately HK\$3,159,000) per annum.
Campus maintenance services	It would be charged at 108–110% of the reasonable costs of such services of the Service Providers.	Shall not exceed RMB2,200,000 (equivalent to approximately HK\$2,574,000) per annum.	Shall not exceed RMB2,200,000 (equivalent to approximately HK\$2,574,000) per annum.	Shall not exceed RMB2,200,000 (equivalent to approximately HK\$2,574,000) per annum.
	Aggregated amount	Shall not exceed RMB23,500,000 (equivalent to approximately HK\$27,495,000) per annum.	Shall not exceed RMB23,500,000 (equivalent to approximately HK\$27,495,000) per annum.	Shall not exceed RMB24,400,000 (equivalent to approximately HK\$28,548,000) per annum.

It is expected that the aggregate amounts of fees payable by the Kindergartens to the Group for year ending 31 December 2023, 2024 and 2025 are RMB23,500,000 (equivalent to approximately HK\$27,495,000), RMB23,500,000 (equivalent to approximately HK\$27,495,000) and RMB24,400,000 (equivalent to approximately HK\$28,548,000), respectively. The fees payable by the Kindergartens to the Group under the Renewal

Agreement were determined with reference to the costs and expenses of the Kindergartens and/or the Service Providers and the expected demand of the Kindergartens for the years ending 31 August 2023, 2024 and 2025. The determination basis of each type of service is arrived at with reference to the gross profit margins of comparable services provided by independent service providers in the market.

The fees payable by the Kindergartens to the Group shall be settled on or before 31 August of the relevant year.

INFORMATION OF THE PARTIES

Service Providers

Chengdu Bojun

Chengdu Bojun is a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company.

Chengdu Youshi Preschool Investment and Sichuan Boai

Each of Chengdu Youshi Preschool Investment and Sichuan Boai is a limited liability company established in the PRC and a Consolidated Affiliated Entity. They are principally engaged in the business of education investment and management.

Kindergartens

Peninsula Kindergarten

Peninsula Kindergarten is a private kindergarten established in the PRC, where the school sponsor's interest is wholly-owned by Chengdu Youshi Preschool Investment.

Longquan Kindergarten, Qingyang Kindergarten, Riverside Kindergarten and Youshi Kindergarten

Each of Longquan Kindergarten, Qingyang Kindergarten, Riverside Kindergarten and Youshi Kindergarten is a private kindergarten established in the PRC, where the school sponsor's interest is wholly-owned by Sichuan Boai.

The Kindergartens are ultimately owned as to (i) 93.26% by Mr. Wang Jinglei, an executive Director and a substantial Shareholder, (ii) 4.90% by Mr. Xie Gang, (iii) 0.92% by Mr. Zeng Guang and (iv) 0.92% by Ms. Li Jingmei, with Mr. Xie Gang, Mr. Zheng Guang and Ms. Li Jingmei being individuals of PRC nationality and independent third parties of the Group.

REASONS FOR AND BENEFITS OF THE RENEWAL AGREEMENT

The Group is mainly engaged in the provision of full spectrum private fundamental education, including pre-school, primary, middle and high schools in the PRC. As PRC laws and regulations generally prohibit or restrict foreign ownership in the private education industry in the PRC, the Group used to obtain control over and derive economic benefits from the PRC operating entities through structured contracts. For details of the structured contracts, please refer to the announcement of the Company dated 19 June 2020 in relation to the new structured contracts entered into by the Group.

As a result of the restrictions on the provision of compulsory education under the Implementation Rules, the Group lost control over those operating entities providing compulsory education services and non-profit pre-school education services since 31 August 2021. Observing the Implementation Rules, the Group has been working with its advisers to modify its group, legal and business structure, including, amongst others, converting its kindergartens from non-profit kindergartens to for-profit kindergartens. In particular, Lidu Kindergarten completed the registration as a for-profit kindergarten and the Group regained control over Lidu Kindergarten in May 2022. The Kindergartens have been carrying on their normal day-to-day operations with the assistance of the Group to avoid discontinuation of education and related services to the students. To fulfil the requirements of the Implementation Rules and satisfy the business needs of the Kindergartens for continuous and consistent services to students, the Group restructured its relationship with the Kindergartens and entered into the Management Agreement with the Kindergartens, and entering into the Renewal Agreement continues to achieve the same goal. The entry into the Renewal Agreement can also strengthen the business operations and financial position of the Group.

The Directors have confirmed that the terms of the Renewal Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

The Group will adhere to the following internal control measures in respect of the transactions contemplated under the Renewal Agreement:

- (i) the designated staff from the accounts department of the Group will closely monitor the total transaction amount to ensure that the annual caps proposed will not be exceeded;
- (ii) reports which contain total transaction amount under the Renewal Agreement will be submitted to the management of the Group on a monthly basis; and
- (iii) the Independent Non-executive Directors and the auditors of the Company will conduct annual review of the transactions.

LISTING RULES IMPLICATIONS

Mr. Wang Jinglei is an executive Director and a substantial Shareholder, holding an indirect interest in 233,920,000 Shares, representing approximately 28.46% of the issued shares of the Company, and, thus, a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The Kindergartens are ultimately owned as to (i) 93.26% by Mr. Wang Jinglei, (ii) 4.90% by Mr. Xie Gang, (iii) 0.92% by Mr. Zeng Guang and (iv) 0.92% by Ms. Li Jingmei. All Kindergartens are therefore associate of Mr. Wang Jinglei and connected persons of the Company.

As the highest of the applicable percentage ratios of the annual caps proposed are more than 5%, transactions contemplated under the Renewal Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other than Mr. Wang Jinglei, none of the Directors has material interest in the Renewal Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

EGM

An extraordinary meeting (the "EGM") will be held to consider and if thought fit, to approve the Renewal Agreement and the transactions contemplated thereunder (including the annual caps proposed).

An Independent Board Committee, comprising Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei, Ms. Luo Yunping and Mr. Yang Yuan, all being independent non-executive Directors, has been established to consider the Renewal Agreement and the proposed annual caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the transactions contemplated under the Renewal Agreement and the proposed annual caps.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Renewal Agreement and the proposed annual caps.

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CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 30 November 2021, pending the publication of the 2021 Annual Results, and will remain suspended until the Company fulfils the resumption guidance as detailed in the announcement of the Company dated 9 March 2022.

The Renewal Agreement is subject to the satisfaction of the conditions precedent as described in this announcement. There is no assurance that any of such conditions precedent will be fulfilled. Therefore, the transactions contemplated under the Renewal Agreement may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

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

Hong Kong, 30 June 2022

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

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.17.