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## **Bojun Education Company Limited**

**博駿教育有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1758)**

### **CONTINUING CONNECTED TRANSACTION SERVICES TO PENINSULA KINDERGARTEN, LONGQUAN KINDERGARTEN, QINGYANG KINDERGARTEN, RIVERSIDE KINDERGARTEN AND YUSHI KINDERGARTEN**

#### **BACKGROUND**

Reference is made to the Prospectus. The Group has been conducting its private education business through the Consolidated Affiliated Entities in the PRC which has laws and regulations in place prohibiting foreign ownership of primary and middle schools in the PRC and restricting operation of preschools and high schools by sino-foreign ownership with qualification requirements imposed on the foreign owners. The Implementation Rules issued by the State Council of the PRC on 14 May 2021 and took effect on 1 September 2021, set series of restrictions and guidelines on operation, taxation, shareholding structure, connected transactions and merge and acquisition of entities providing compulsory education and non-profit preschool education. As a result, the Group concluded that it lost control over those operating entities providing compulsory education services and non-profit preschool education services, including the Kindergartens, since 31 August 2021. The Kindergartens are carrying on its normal day-to-day operations with the assistance of the Group to avoid discontinuation of education and related services to students. In this regard, the Group and the Kindergartens entered into the Management Agreement for the Group's services.

#### **MANAGEMENT AGREEMENT**

On 31 May 2022, the Service Providers and the Kindergartens entered into the Management Agreement pursuant to which the Service Providers shall provide various management services to the Kindergartens for the year ending 31 August 2022.

The aggregate annual cap proposed with respect to the transactions contemplated under the Management Agreement for the year ending 31 August 2022 is RMB8,350,000 (equivalent to approximately HK\$9,602,500).

### **LISTING RULES IMPLICATIONS**

Mr. Wang Jinglei is an executive Director and a controlling Shareholder, 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, an executive Director and a controlling Shareholder, thus a connected person, (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.

All the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Agreement are less than 25% and the aggregate annual cap proposed is less than HK\$10,000,000. Accordingly, the above transactions are *de minimis* transactions pursuant to Rule 14A.76(2) of the Listing Rules and are therefore subject to the reporting, announcement and annual review requirements but are exempt from the circular 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 Management Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

### **BACKGROUND**

Reference is made to the Prospectus. The Group has been conducting its private education business through the Consolidated Affiliated Entities in the PRC which has laws and regulations in place prohibiting foreign ownership of primary and middle schools in the PRC and restricting operation of preschools and high schools by sino-foreign ownership with qualification requirements imposed on the foreign owners. The Implementation Rules issued by the State Council of the PRC on 14 May 2021 and took effect on 1 September 2021, set series of restrictions and guidelines on operation, taxation, shareholding structure, connected transactions and merge and acquisition of entities providing compulsory education and non-profit preschool education. As a result, the Group concluded that it lost control over those operating entities providing compulsory education services and non-profit preschool education services, including the Kindergartens, since 31 August 2021. The Kindergartens are carrying on its normal day-to-day operations with the assistance of the Group to avoid discontinuation of education and related services to students. In this regard, the Group and the Kindergartens entered into the Management Agreement for the Group's services.

## MANAGEMENT AGREEMENT

- Date : 31 May 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 : One year from 1 September 2021 to 31 August 2022
- Subject Matter : Pursuant to the Management 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) Other ancillary services, which cover procurement of teaching facilities and equipment, financial management and accounting services, academic exchange and other services;
- (iii) Brand management services, which cover the licence of the brand of “Youshi (幼獅)”, and event planning and management services; and
- (iv) Campus maintenance services.

## Pricing basis

The fees payable under the Management Agreement are calculated as follows:

Type of services	Determination basis	Maximum amount of fees payable by the Kindergartens for the year ending 31 August 2022
Education management services	It would be charged at 103% of the labour cost of the employees despatched by the Service Providers to the Kindergartens for the period from 1 May 2022 to 31 August 2022 given that the Service Providers completed its restructuring of manpower in May 2022.	Shall not exceed RMB4,900,000 (equivalent to approximately HK\$5,635,000)
Other ancillary services	It would be charged with reference to the reasonable costs of such services of the Service Providers.	Shall not exceed RMB300,000 (equivalent to approximately HK\$345,000)
Brand management services	It would be charged at 7% of the tuition and boarding fees (保教費) collected by the Kindergartens for the year ending 31 August 2022.	Shall not exceed RMB2,450,000 (equivalent to approximately HK\$2,817,500)
Campus maintenance services	It would be charged with reference to the reasonable costs of such services of the Service Providers.	Shall not exceed RMB700,000 (equivalent to approximately HK\$805,000)

It is expected that the aggregate amounts of fees payable by the Kindergartens to the Group will not exceed RMB8,350,000 (equivalent to approximately HK\$9,602,500) (the “**Annual Cap**”). The fees payable by the Kindergartens to the Group under the Management 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 year ending 31 August 2022.

The fees payable by the Kindergartens to the Group shall be settled on or before 31 August 2022. As at the date of this announcement, the Kindergartens paid approximately RMB1.1 million for the services rendered by the Service Providers and such amount shall be deducted from the fees payable by the Kindergartens to the Group for the year ending 31 August 2022.

## **INTERNAL CONTROL MEASURES**

The Group will adhere to the following internal control measures in respect of the transactions:

- (i) the designated staff from the accounts department of the Group will closely monitor the total transaction amount to ensure that the Annual Cap will not be exceeded;
- (ii) reports which contain total transaction amount under the Management 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.

## **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.

## **REASONS FOR AND BENEFITS OF THE MANAGEMENT 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 fulfill 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. The entry into the Management Agreement can also strengthen the business operations and financial position of the Group.

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

## **LISTING RULES IMPLICATIONS**

Mr. Wang Jinglei is an executive Director and a controlling Shareholder, 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\* (王惊雷), an executive Director and a controlling Shareholder, thus a connected person, (ii) 4.90% by Mr. Xie Gang\* (谢纲), (iii) 0.92% by Mr. Zeng Guang\* (曾光) and (iv) 0.92% by Ms. Li Jingmei\* (李京梅). All Kindergartens are therefore associate of Mr. Wang Jinglei and connected persons of the Company.

All the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Agreement are less than 25% and the Annual Cap proposed is less than HK\$10,000,000. Accordingly, the above transactions are *de minimis* transactions pursuant to Rule 14A.76(2) of the Listing Rules and are therefore subject to the reporting, announcement and annual review requirements but are exempt from the circular 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 Management Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolutions at the Board meeting.

## **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.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Chengdu Bojun”	Chengdu Tianfu Bojun Education Management Company Limited* (成都天府博駿教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 26 July 2016 and a wholly-owned subsidiary of the Company
“Chengdu Youshi Preschool Investment”	Chengdu Youshi Preschool Education Investment Management Company Limited* (成都幼獅幼兒教育投資管理有限公司), a limited liability company established under the laws of the PRC on 16 July 2010 and a Consolidated Affiliated Entity
“Company”	Bojun Education Company Limited (博駿教育有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 June 2016
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Consolidated Affiliated Entity(ies)”	the entities that the Group controls through the contractual arrangement contemplated under the Structured Contracts, as amended or supplemented from time to time
“Director(s)”	the director(s) of the Company;
“Group”	the Company, its subsidiaries and the Consolidated Affiliated Entities
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region

“Implementation Regulations”	Implementation Regulations of the Private Education Promotion Law of the PRC (《中華人民共和國民辦教育促進法實施條例》) issued by the State Council of the PRC on 14 May 2021, which took effect on 1 September 2021
“Kindergartens”	collectively Peninsula Kindergarten, Longquan Kindergarten, Qingyang Kindergarten, Riverside Kindergarten and Youshi Kindergarten
“Lidu Kindergarten”	Chengdu Wuhou District Youshi Lidu Kindergarten Company Limited* (成都市武侯區幼師麗都幼兒園有限公司) (formerly known as Chengdu Youshi Lidu Experimental Kindergarten* (成都幼師麗都實驗幼兒園)), a private kindergarten established under the laws of the PRC on 12 May 2003 and a Consolidated Affiliated Entity
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longquan Kindergarten”	Chengdu Longquan Youshi Dongshan Kindergarten* (成都市龍泉驛區幼師東山幼兒園) (formerly known as Chengdu Youshi Longquan Dongshan Experimental Kindergarten* (成都幼師龍泉東山實驗幼兒園)), a private kindergarten established under the laws of the PRC on 23 February 2009, where the school sponsor’s interest is wholly-owned by Sichuan Boai
“Management Agreement”	the management agreement dated 31 May 2022 made between the Service Providers and the Kindergartens
“Peninsula Kindergarten”	Chengdu High and New District Youshi Peninsula City Centre Kindergarten* (成都高新區幼獅半島城邦幼兒園), a private kindergarten established under the laws of the PRC on 27 September 2013, where the school sponsor’s interest is wholly-owned by Chengdu Youshi Preschool Investment
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus dated 19 July 2018 issued by the Company in connection with the public offering
“Qingyang Kindergarten”	Chengdu Qingyang Youshi Jingjie Kindergarten* (成都市青羊區幼師境界實驗幼兒園) (formerly known as Chengdu Qingyang Youshi Jingjie Experimental Kindergarten* (成都青羊幼師境界實驗幼兒園)), a private kindergarten established under the laws of the PRC on 15 March 2010, where the school sponsor’s interest is wholly-owned by Sichuan Boai



“Riverside Kindergarten”	Chengdu Youshi Riverside Impression Experimental Kindergarten* (成都幼師河濱印象實驗幼兒園), a private kindergarten established under the laws of the PRC on 18 June 2003, where the school sponsor’s interest is wholly-owned by Sichuan Boai
“RMB”	Renminbi, the lawful currency of the PRC
“School Sponsor(s)”	Chengdu Youshi Preschool Investment and Sichuan Boai
“Service Providers”	Chengdu Bojun and the School Sponsors
“Shareholder(s)”	shareholder(s) of the Company
“Sichuan Boai”	Sichuan Boai Preschool Education Development Company Limited* (四川省博愛幼兒教育事業專業發展有限責任公司), a limited liability company established under the laws of the PRC on 26 July 2001 and a Consolidated Affiliated Entity
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Structured Contracts”	the structured contracts of the Group, details of which are set out in the announcement of the Company dated 19 June 2020
“Youshi Kindergarten”	Chengdu Wuhou District Youshi Kindergarten* (成都市武侯區幼獅幼兒園) (formerly known as Chengdu Youshi Experimental Kindergarten* (成都幼師實驗幼兒園)), a private kindergarten established under the laws of the PRC on 12 August 2002, where the school sponsor’s interest is wholly-owned by Sichuan Boai
“%”	per cent.

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

Hong Kong, 31 May 2022

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

*For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.15.*

\* for identification purpose only