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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)**

### **SUPPLEMENTAL ANNOUNCEMENT PROVISION OF FINANCIAL ASSISTANCE — FURTHER EXTENSION OF TERMS OF PAYMENTS IN RELATION TO THE DISPOSAL OF 51% OF EQUITY INTEREST OF THE PENGZHOU SCHOOL**

Reference is made to the announcements of the Company dated 27 August 2021, 6 September 2021, 26 October 2021, 20 May 2022, 10 June 2022 and 31 January 2024 (the “**Announcements**”) and the circular of the Company dated 30 September 2021 (the “**Circular**”) in relation to, among others, the major transaction in relation to the disposal of 51% equity interest in Pengzhou School. Unless the context otherwise required, capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circular.

The Board wishes to provide supplemental information in relation to the Second Supplemental Agreement and the Remaining Investment Fund.

#### **BACKGROUND**

As disclosed in the Prospectus, the Group entered into the Cooperation Agreement on 8 September 2017, pursuant to which Chengdu Mingxian and Hongde Guanghua established Pengzhou School, which commenced schooling in September 2018.

On 27 August 2021, Chengdu Mingxian entered into the Termination Agreement with Hongde Guanghua, Pengzhou School and the Guarantors, which, amongst others, sets out the terms on termination of the Cooperation Agreement and the refund of the Total Investment Fund. The Guarantors have agreed to provide joint and several liability guarantee to Chengdu Mingxian to guarantee the financial obligation of Hongde Guanghua and Pengzhou School for a period of up to two years from the latest date when Hongde Guanghua and

Pengzhou School are obliged to fulfil their respective financial obligations towards Chengdu Mingxian. For further details, please refer to the announcements of the Company dated 27 August 2021 and 6 September 2021 and the Circular.

On 20 May 2022, Chengdu Mingxian entered into the Supplemental Agreement with Hongde Guanghua, Pengzhou School and the Guarantors to, amongst others, extend the payment terms of the Total Investment Fund due to an unexpected delay in obtaining bank and other financings on part of Pengzhou School and Hongde Guanghua, and extend the term of guarantee from two years to three years. On the same day, Liqiao, the shareholder of Hongde Guanghua, executed the Guarantee Letter in favour of Chengdu Mingxian pursuant to which Liqiao agreed to guarantee the financial obligations of Hongde Guanghua and Pengzhou School for a period of up to three years from the latest date when Hongde Guanghua and Pengzhou School are obliged to fulfil their respective financial obligations towards Chengdu Mingxian in relation to the Supplemental Agreement. For further details, please refer to the announcements of the Company dated 20 May 2022 and 10 June 2022.

On 19 August 2022, the Disposal was completed and Chengdu Mingxian ceased to be the school sponsor of Pengzhou School. Pengzhou School was deconsolidated from the financial statements of the Company with effect from 31 August 2021 when the Regulations for the Implementation 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》) became effective. For further details, please refer to the section headed “Structured Contracts — Termination of the Structured Contracts” in the annual report of the Company for the year ended 31 August 2021 published on 30 November 2022.

On 31 January 2024, Chengdu Mingxian entered into the Second Supplemental Agreement with Hongde Guanghua, Pengzhou School and the Guarantors to further extend the payment terms of the Remaining Investment Fund (the “**New Terms**”) due to the inadvertent failure on part of Pengzhou School and Hongde Guanghua to obtain bank loans for settlement of the Total Investment Fund as affected by the tightened controls of bank in the PRC. For details of the New Terms, please refer to the announcement of the Company dated 31 January 2024.

## **REASONS FOR ENTERING THE SECOND SUPPLEMENTAL AGREEMENT AND BASIS OF DETERMINING THE NEW TERMS**

Based on the information provided to the Group, prior to the entry into the Supplemental Agreement, Pengzhou School and Hongde Guanghua had explored financing opportunities with various banks and had provided documents required by the banks and had entered into detailed discussions with banks on loan arrangements. However, due to tightened controls in the PRC to obtain bank financings, Pengzhou School and Hongde Guanghua have not successfully obtained bank loans for settlement of the Total Investment Fund. Further, Pengzhou School and Hongde Guanghua also explored other financing opportunities and have entered into discussion with financial institutions, such as financial leasing company. However, no binding agreement have been reached between the financial institutions and Pengzhou School and Hongde Guanghua. The Group was aware that banks in the PRC maintained tighten controls in financing and it has affected the financial plans of Pengzhou School and Hongde Guanghua and the delay in payment was inadvertent.

The Group assessed the recoverability of the Total Investment Fund from time to time and is of the view that Pengzhou School possesses sufficient assets and is capable to settle the Total Investment Fund; however, payment of the Total Investment Fund in full may affect the operation and expansion of Pengzhou School, which may have negative impacts on the students and the quality of education services rendered by Pengzhou School. After having considered (i) the development history and business plan of Pengzhou School, which was established as a private primary and middle school in 2018 and has expanded its operation and commenced to provide high school education services in 2021, (ii) the forecast levels of student enrolment of approximately 2,000 for the 2023/2024 school year and approximately 2,600 for the school years from 2024/2025 to 2028/2029, (iii) the estimated tuition, boarding and other fees of Pengzhou School of approximately RMB53,000 per student per annum from 2023/2024 to 2028/2029, (iv) the estimated revenue of Pengzhou School ranging from RMB105 million to RMB137 million from 2023/2024 to 2028/2029, (v) the estimated profit before tax of Pengzhou School ranging from approximately RMB30 million to RMB40 million from 2023/2024 to 2028/2029 and (vi) the possibility of Pengzhou School and Hongde Guanghua in obtaining external sources of financings, the Board is of the view that Pengzhou School shall be able to settle the Remaining Investment Fund in accordance with the New Terms. The Board is also of the view that the New Terms will better protect the Group so that the Group could fully recover the Remaining Investment Fund from Pengzhou School and Hongde Guanghua.

And, having considered alternative options as set out in the paragraph headed “Alternative options considered by the Group”, the Board is of the view that the New Terms are fair and reasonable and the entry into the Second Supplemental Agreement is in the interest of the Company and the Shareholders as a whole. Given that the Investment Fund was provided by the Group to Pengzhou School and were used for establishment and development of Pengzhou School, the parties to the agreement considered that Pengzhou School is primarily responsible for the refund of the Investment Funds. As a last resort, the Group will enforce the Guarantee and the Guarantee Letter in the event that both of Pengzhou School and Hongde Guanghua are not capable of settling the Remaining Investment Fund in full.

The Group also performed various due diligence and has taken various actions to recover the Total Investment Fund. Please refer to the paragraph headed “Due diligence performance and actions taken by the Group to recover the Total Investment Fund” in this announcement.

## **REPAYMENT STATUS OF THE TOTAL INVESTMENT FUND AND INTERESTS ACCRUED**

As at the date of this announcement, partial payment in an amount of RMB8,000,000 has been refunded to Chengdu Mingxian. The Remaining Investment Fund shall be settled in accordance with the New Terms. Prior to the entry into the Second Supplemental Agreement, the default interest accrued under the Termination Agreement and the Supplemental Agreement amounted to approximately RMB7.2 million. The Group and Hongde Guanghua and Pengzhou School discussed the payment of the default interests before the entry into the Second Supplemental Agreement. The Group intended to waive the default interest and entered into the Second Supplemental Agreement with the New Terms after having considered that (i) the delay in payment of Pengzhou School and Hongde Guanghua was inadvertent, (ii) Hongde Guanghua and Pengzhou School have agreed to settle the Remaining Investment Fund in full according to the New Terms, and (iii) the

Group has amiable business relationship with Pengzhou School. The Group was a founder of Pengzhou School. The investment fund provided by the Group to Pengzhou School was used to establish and develop Pengzhou School. In view of the change of policies in the PRC, the Group decided to devote more efforts in developing schools which would provide private non-compulsory education services, such as vocational school education services. Thus, the Group entered into the Termination Agreement and Pengzhou School agreed to refund the Total Investment Fund to the Group. The Group maintained business relationship with Pengzhou School and, as a transitional arrangement, the Group granted to Pengzhou School a license to use the “Bojun” and “Bojun School” brands.

As advised by the PRC legal adviser of the Group, in the event that the Remaining Investments Funds are not settled in full in accordance with the New Terms, the Group can require payment of the aggregate amount of default interest from Pengzhou School and Hongde Guanghua under the Termination Agreement, the Supplemental Agreement and the Second Supplemental Agreement. In this regard, if the Remaining Investment Fund is not settled in full in accordance with the New Terms, the Group will require payment of default interest from Hongde Guanghua and Pengzhou School under the Termination Agreement, the Supplemental Agreement and the Second Supplemental Agreement. The Board is of the view that, the intention to waive the default interest is a commercial decision and is in the interest of the Company after having considered, among others, the matters mentioned above, the full recovery of the Total Investment Fund and the benefits and financial effects of the Disposal.

#### **DUE DILIGENCE PERFORMED AND ACTIONS TAKEN BY THE GROUP TO RECOVER THE TOTAL INVESTMENT FUND**

The Group conducted the following due diligence to ensure that Hongde Guanghua, Pengzhou School and the Guarantors have sufficient assets to fulfil their obligations and assess the recoverability of the Total Investment Fund:

- (a) conducted background searches (including company search and litigation search) against each of Hongde Guanghua, Pengzhou School and the Guarantors and noted that (i) they possessed assets for operation of their business and owned land properties in the PRC and (ii) they were not involved in material legal proceedings and were not subject to any winding-up or bankruptcy proceedings or petition;
- (b) reviewed historical financial information of Pengzhou School;
- (c) obtained title documents of the campus and properties used by Pengzhou School;
- (d) obtained the fixed assets register of Pengzhou School and Guarantor A (which includes all the properties and facilities of the campus used by Pengzhou School);
- (e) obtained the business and development plan of Pengzhou School, including but not limited to expansion plan, number of students, breakdown of fees collected, etc.;
- (f) obtained the financial forecast of Pengzhou School for the five years ending 31 August 2028 provided by Hongde Guanghua and the Pengzhou School; and

- (g) discussed with Hongde Guanghua, Pengzhou School and the Guarantors to gain an understanding about the details of assets and investments owned by them in the PRC.

The Board noted that (i) Hongde Guanghua, Pengzhou School and the Guarantors possessed sufficient assets for operation of their business and (ii) the land and properties used by Pengzhou School as its campus was acquired and owned by Guarantor A at a consideration of approximately RMB35.8 million in March 2018 and the book value of such amounted to approximately RMB35.8 million. Based on the above, the Board is of the view that Hongde Guanghua, Pengzhou School and the Guarantors possess sufficient assets to settle the Total Investment Fund.

The Group has taken the following actions to recover the Total Investment Fund since 30 December 2022:

- (a) the management of the Group has regular and active communication with Hongde Guanghua and Pengzhou School on the payment status and the management of the Group would meet and discuss the payment progress with Hongde Guanghua and Pengzhou School from time to time;
- (b) the Group has obtained information about the business performance and development of Pengzhou School. In 2023, Pengzhou School increased its scale of student enrolment in the 2023/2024 school year so that it can increase its revenue. It is expected that Pengzhou School would record an increase in profit in the 2023/2024 school year. Pengzhou School plans to further increase its student enrolment in the 2024/2025 school year for better profitability;
- (c) the Group discussed with Hongde Guanghua and Pengzhou School about the financial and development planning of Pengzhou School and gained an understanding that Pengzhou School would require working capital to finance its daily operation and to facilitate the expansion of its operation and Hongde Guanghua would provide supports to Pengzhou School for its operation;
- (d) the Group obtained information from Hongde Guanghua and Pengzhou School about their debt financing plans as disclosed in the announcement of the Company dated 10 June 2022. Based on the information provided, Hongde Guanghua and Pengzhou School have explored financing opportunities with various banks and have provided documents required by the banks and have entered into detailed discussions with banks on loan arrangements. The Group was given to understand that this is the one of the main reasons why refund of the Remaining Investment Fund has been delayed. However, due to tightened controls to obtain bank financings, Hongde Guanghua and Pengzhou School have not successfully obtained bank loans for settlement of the Total Investment Fund. Further, Hongde Guanghua and Pengzhou School also explored other financing opportunities and have entered into discussion with financial institutions, such as financial leasing company. Based on information available to the Group, Hongde Guanghua and Pengzhou School are negotiating with the financial institutions on potential financial opportunities; however, no agreement has been signed by Hongde Guanghua and/or Pengzhou School;



- (e) the Group has closely monitored the financial performance and operation of Pengzhou School. The management accounts of Pengzhou School were provided to the Group for information. And, the Group is a manager of various bank accounts of Pengzhou School. Any use of proceeds in these bank accounts shall be approved by the Group;
- (f) the Group sought legal advice from its PRC legal adviser regarding its rights under the Termination Agreement. The Group was advised that it could take legal actions against Hongde Guanghua, Pengzhou School and the Guarantors for payment of the Remaining Investment Amount; however, the expected time of legal proceedings would be at least 6 to 8 months (without considering any appeal or counterclaim which may be raised by the opposing parties) and such proceedings would incur legal costs of at least RMB2.5 million. The management of the Group would have to devote sufficient attention and resources in handling the legal proceedings and it may in turn affect other business operation and development plan of the Group. Moreover, as advised by the PRC legal adviser of the Group, should the Group decide to proceed the matter in court in the PRC, it would be difficult for the Group to obtain an order on seizure of assets of the Pengzhou School in the PRC as the court would generally consider the interest of the public, particularly the interest of students and their parents that the judgement should not affect regular schooling and rights to education of students enrolled then, when granting seizure, auction and other types of orders in relation to school assets, it would be unlikely for the Group to be able to collect the Remaining Investment Amount and interests accrued in one lump sum payment but by instalments, which would lead to similar repayment arrangement agreed between the Group and Pengzhou School and Hongde Guanghua;
- (g) the management of the Group has internal meetings to review and assess the recoverability of the Total Investment Fund from time to time and is of the view that Pengzhou School possesses sufficient assets and is capable to settle the Total Investment Fund; however, one lump sum payment of the Total Investment Fund in full may affect the operation and expansion of Pengzhou School, which may have negative impacts on the students and the quality of education services rendered by Pengzhou School; and
- (h) the management of the Group had detailed and in-depth discussions with Hongde Guanghua and Pengzhou School on the settlement plan and the New Terms being more feasible and shall be final.

The Board is of the view that sufficient actions have been taken by the Group to safeguard the interest of the Company after having considered the followings:

- (a) the actions taken by the Group to recover the Total Investment Fund and the advice of the PRC legal adviser of the Group as set out above;
- (b) the Group has thorough understanding of the financial performance of Pengzhou School and its ability to settle the Remaining Investment Fund;
- (c) the business operation of Pengzhou School and its student enrolment are stable throughout a school year. Significant improvement in financial performance and working capital may take longer time as student enrolment level may only increase gradually from year to year;

- (d) the settlement plan set out in the Second Supplemental Agreement shall be feasible to Hongde Guanghua and Pengzhou School based on the past financial performance and the growth plan of Pengzhou School. The Group was aware that banks in the PRC maintained tightened controls in financing and it has affected the financing plans of Hongde Guanghua and Pengzhou School and the delay in payment was inadvertent; and
- (e) the Group granted Hongde Guanghua and Pengzhou School rights to use the “Bojun” and “Bojun School” brands for its business operations as a transitional arrangement. Any possible litigation against Pengzhou School may have a negative impact on the brands of the Group. As at the date of this announcement, the school name of Pengzhou School has changed and removed “Bojun” as its school name. However, any possible litigation against Pengzhou School may affect its business operation and the students and may in turn affect the ability of Pengzhou School to pay the Remaining Investment Fund.

The Group will take necessary follow-up actions to communicate with Pengzhou School and Hongde Guanghua on the payment status from time to time and will use its best effort to ensure that the Remaining Investment Fund would be settled in full.

#### **ALTERNATIVE OPTIONS CONSIDERED BY THE GROUP**

The Group has considered alternative options to recover the Remaining Investment Fund other than entry into the Second Supplemental Agreement as follows:

##### **(a) Enforcing the Guarantee and the Guarantee Letter**

Pursuant to the Second Supplemental Agreement, guarantees provided by the Guarantors shall be valid until 30 September 2031, and, pursuant to the Guarantee Letter, the guarantee provided by Liqiao shall be valid until 30 December 2025. Given that (i) Pengzhou School possesses sufficient assets and is able to settle the Remaining Investment Fund based on its financial information and development plan; (ii) the amendments to payment terms were proposed by Hongde Guanghua and Pengzhou School with an intention to settle the Remaining Investment Fund in full; (iii) the management of the Group had detailed and in-depth discussions with Hongde Guanghua and Pengzhou School about the feasibility of the New Terms and is of the view the New Terms are feasible; (iv) the time and cost involved in negotiating with the Guarantors and Liqiao; and (v) the business relationship with Hongde Guanghua and Pengzhou School, the Group has not yet enforced the Guarantee and the Guarantee Letter and shall enforce the same when Hongde Guanghua and Pengzhou School fail to settle the Remaining Investment Fund in full in accordance to the Second Supplemental Agreement. As detailed above, the Group sought legal advice from its PRC legal adviser regarding its rights under the Termination Agreement and implications of enforcing the Guarantee and the Guarantee Letter. Considering that the Investment Funds were provided by the Group to Pengzhou School and were used for establishment and development of Pengzhou School, the parties to the agreement considered that Pengzhou School is primarily responsible for the refund of the Investment Funds. The Group will enforce the Guarantee and the Guarantee Letter in the event that both of Pengzhou School and Hongde Guanghua are not capable of settling the Remaining Investment Fund in full.

## **(b) Legal action against Hongde Guanghua and Pengzhou School**

After having considered the time and cost involved as detailed above and such legal actions could result in substantial costs and diversion of the attention and resources of the management of the Group, which may in turn affect the business of the Group, the Board considered that the entry into the Second Supplemental Agreement is a more cost efficient option.

## **(c) Factoring arrangement**

The Board also considered entering into a factoring arrangement with financial institution(s) and would sell the receivables to the financial institution(s) at discount. Given that Hongde Guanghua and Pengzhou School intended to settle the Remaining Investment Fund in full, the Group has not entered into any factoring arrangement. In the event that there is further delay in payment from Hongde Guanghua and Pengzhou School, the Group will explore the opportunities on factoring arrangement with financial institutions.

## **INFORMATION OF THE PARTIES**

### **The Group and Chengdu Mingxian**

The Group is principally engaged in the business of private education services. The Group commenced operation in 2001 and rooted in the education industry in Sichuan Province. The Group operates its own kindergartens and high school and entered the vocational education sector through acquisitions. It also provides education management services to education institutions, including kindergarten management services and supplemental services, etc.

Chengdu Mingxian is a limited liability company established in the PRC and a Consolidated Affiliated Entity. It is principally engaged in the business of education investment and management.

### **Pengzhou School**

Pengzhou School is a school established under the laws of the PRC on 26 April 2018 and commenced schooling in September 2018. As at the date of this announcement, Pengzhou School offers private primary, middle and high school education services in Chengdu, the PRC. The school sponsor of Pengzhou School is Hongde Guanghua and Liqiao. Each of Pengzhou School and its ultimate beneficial owners are Independent Third Parties.

### **Hongde Guanghua**

Hongde Guanghua is a limited liability company established in the PRC. It is principally engaged in the business of asset management, project investment, financial advisory and property development management. As at the date of this announcement, to the best knowledge of the Directors, Hongde Guanghua is owned as to (i) 5% by Ms. Dou Lingjia\* (竇聆嘉), (ii) 68.47% by a PRC company, which is in turn owned as to (a) 97% by Ms. Zhou Xiang\* (周翔) and (b) 3% by Mr. Liu Jun\* (劉軍), (iii) 26.53% by a PRC company,



which is in turn owned as to (a) 70% by Mr. Long Tao\* (龍濤) and (b) 30% by Mr. Tong Yunliang\* (童雲亮). Each of Hongde Guanghua and its ultimate beneficial owners are Independent Third Parties.

### **The Guarantors**

Guarantor A is a limited company established in the PRC and owned by Mr. Chen Hongquan\* (陳洪泉) and Mr. Li Qinghua\* (李清華) as to 80% and 20%, respectively, each of them is a PRC citizen of PRC nationality and an Independent Third Party. It is principally engaged in the business of corporate management, and education corporate management and consultation. Guarantor B is a PRC citizen of PRC nationality and an Independent Third Party.

### **LISTING RULES IMPLICATION**

The execution of the Second Supplemental Agreement constitutes a provision of financial assistance by the Group to Pengzhou School and Hongde Guanghua. As one of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules exceeds 5% but all the applicable percentage ratios are less than 25%, the provision of financial assistance constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

### **REASONS FOR UNINTENTIONAL NON-COMPLIANCE OF THE LISTING RULES**

The Directors have approved the Second Supplemental Agreement and confirmed that the terms of the which are fair and reasonable, and they are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

At the time when the Group entered into the Second Supplemental Agreement, it was considered that the alteration of payment terms was part of the Disposal with a view to protect the Group so that the Group could fully recover the Remaining Investment Fund. After having clarified with the Stock Exchange, the Company acknowledged that the entry into the Second Supplemental Agreement should constitute a provision of financial assistance and shall have constituted a discloseable transaction of the Company. Despite the publication of announcement of the Company dated 31 January 2024 on the entry into the Second Supplemental Agreement, the Company has not fulfilled the reporting and announcement requirements under Chapter 14 of the Listing Rules in full. The Directors reiterated that such non-compliance was unintentional and inadvertent and was due to the misapprehension of the Listing Rules.

### **REMEDIAL MEASURES TO BE TAKEN**

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

- (i) the Company has provided relevant guidance and training materials, in particular, on how to identify notifiable transactions under the Listing Rules, to the Directors, senior management and relevant staff of the Group in order to strengthen and reinforce their knowledge with respect to notifiable transactions;

- (ii) the Company will provide trainings before this financial year end (i.e. 31 August 2024) to explain the relevant requirements under the Listing Rules and the reporting procedures for notifiable transactions under the Listing Rules, and to emphasise the importance of identifying such transactions prior to execution;
- (iii) the Directors' office together with the company secretary of the Company will continue to oversee and monitor the Company's on-going compliance with the Listing Rules on a continuing basis;
- (iv) the Company has reviewed and modified its existing procedures in monitoring notifiable transactions of the Group under Chapter 14 of the Listing Rules; and
- (v) the Company will, as and when appropriate and necessary, seek external legal or other professional advice as to any action required to be taken regarding any proposed transactions or events in the future.

By Order of the Board  
**Bojun Education Company Limited**  
**Wang Jinglei**  
*Chairman of the Board*

Hong Kong, 15 April 2024

*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.*