

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Virscend Education Company Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



### Virscend Education Company Limited

成實外教育有限公司

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

**(Stock Code: 1565)**

## DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED MERGER AND PROPOSED ACQUISITION OF ASSETS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



---

Capitalized terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. A letter from the Independent Financial Adviser is set out on pages 17 to 33 of this circular. A notice convening the EGM of Virscend Education Company Limited to be held at Room 105, Virscend Education Company Limited, No. 23 He Xin Lu, Pidu District, Chengdu, Sichuan Province, the PRC on 22 July 2019 at 3:00 p.m. is set out on pages 48 to 50 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM (or any adjournment thereof) if they so wish.

5 July 2019

---

## CONTENTS

---

<b>DEFINITIONS .....</b>	<b>1-3</b>
<b>LETTER FROM THE BOARD .....</b>	<b>4-14</b>
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....</b>	<b>15-16</b>
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER .....</b>	<b>17-33</b>
<b>APPENDIX I — VALUATION REPORT .....</b>	<b>34-42</b>
<b>APPENDIX II — GENERAL INFORMATION .....</b>	<b>43-47</b>
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING .....</b>	<b>48-50</b>

---

## DEFINITIONS

---

*Unless the context requires otherwise, the following expressions shall have the following meanings in this circular:*

“Announcement”	the announcement of the Company dated 14 June 2019
“Asset Transfer Agreement”	the asset transfer agreement entered into by and between Chengdu School and Sichuan Derui dated 14 June 2019
“Assets”	the Properties, the relevant employment, operating assets and operating liabilities serving the Properties
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Chengdu School”	Chengdu Foreign Languages School* (成都外國語學校), a private school established under the laws of the PRC in September 2000, and a consolidated affiliated entity of the Company where the school sponsor’s interest is wholly-owned by Sichuan Derui
“Company”	Virscend Education Company Limited (成實外教育有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2015 and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 105, Virscend Education Company Limited, No. 23 He Xin Lu, Pidu District, Chengdu, Sichuan Province, the PRC on 22 July 2019 at 3:00 p.m., or any adjournment thereof for the Shareholders to consider and, if thought fit, approve the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, established by the Company to advise the Independent Shareholders on the Merger Agreement, the Asset Transfer Agreement, and the respective transactions contemplated thereunder

---

## DEFINITIONS

---

“Independent Finance Adviser”	Innovax Capital Limited, a licensed corporation under the SFO carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Merger and the Proposed Acquisition
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM
“Land”	a parcel of land with a gross site area of 200,000 square meters located at Group No.1, Gusi Village, Jiezi Town, Chongzhou City, Chengdu City, Sichuan Province, the PRC* (中國四川省成都市崇州市街子古鎮古寺村一組)
“Latest Practicable Date”	28 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange
“Merger Agreement”	the merger agreement entered into among the University, Yanqiang Real Estate and Sichuan Derui dated 14 June 2019
“Notice”	the notice of the EGM as set out on pages 48 to pages 50 of this circular
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the two pieces of lands located at Yinhe East Road, Xipu Town, Pidu District, Chengdu City, Sichuan Province, the PRC* (中國四川省成都市郫都區犀浦鎮銀河東路) and four buildings situated thereon
“Proposed Acquisition”	the contemplated transactions under the Asset Transfer Agreement, namely, the proposed acquisition of the Assets
“Proposed Merger”	the contemplated transactions under the Merger Agreement, namely, the proposed merger of Yanqiang Real Estate into the University
“RMB”	Renminbi, the lawful currency of PRC

---

## DEFINITIONS

---

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Derui”	Sichuan Derui Enterprise Development Co., Ltd* (四川德瑞企業發展有限公司), a company established under laws of the PRC on 3 January 1993, which is owned as to, among others, 69.44% by Mr. Yan Yude
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“University”	Chengdu Institute Sichuan International Studies University* (四川外國語大學成都學院), a private university established under the laws of the PRC and a consolidated affiliated entity of the Company where the school sponsor’s interest is owned as to, among others, 51.87% by Sichuan Derui
“Yanqiang Real Estate”	Chengdu Yanqiang Real Estate Development Co., Ltd.* (成都嚴強房地產開發有限公司), a limited liability company established under the laws of the PRC on 28 February 2011 and a wholly-owned subsidiary of Sichuan Derui
“Valuation Report”	the valuation report dated 5 July 2019 on the Land and the Properties prepared by Asia-Pacific Consulting & Appraisal Limited
“%”	per cent

\* For reference purpose only, the English names of these companies, addresses or terms are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.

---

## LETTER FROM THE BOARD

---



### Virscend Education Company Limited

成實外教育有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1565)

*Executive Directors:*

Ms. Wang Xiaoying (Chairwoman)

Mr. Ye Jiayu

Mr. Yan Yude

Mr. Deng Bangkai

*Registered office:*

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Independent Non-executive Directors:*

Mr. Sit Chiu Wing

Mr. Chan Kim Sun

Mr. Wen Ruizheng

*Corporate headquarters:*

No. 23 He Xin Lu, Pidu District

Chengdu

The PRC

*Principal place of business in Hong Kong:*

31/F, Tower Two Times Square

1 Matheson Street Causeway Bay

Hong Kong

5 July 2019

*To the Shareholders,*

Dear Sir or Madam

**DISCLOSEABLE AND CONNECTED TRANSACTION  
PROPOSED MERGER AND PROPOSED ACQUISITION OF ASSETS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement. On 14 June 2019 (after trading hours), the University, Yanqiang Real Estate and Sichuan Derui entered into the Merger Agreement, pursuant to which Yanqiang Real Estate will be merged into the University and will cease to exist upon the completion of the transactions contemplated under the Merger Agreement, while Sichuan Derui as the selling shareholder will receive a cash consideration of RMB476,000,000. On the same day (after trading hours), Chengdu School and Sichuan Derui entered into the Asset Transfer Agreement, pursuant to which Chengdu School agreed to purchase, and Sichuan Derui agreed to sell, the Assets for a total consideration of RMB394,300,000.

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with information among others, (i) further details of the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee in respect of the Proposed Merger and the Proposed Acquisition; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Proposed Merger and the Proposed Acquisition; and (iv) the notice convening the EGM.

### THE MERGER AGREEMENT

The principal terms of the Merger Agreement are set out below:

#### Date:

14 June 2019 (after trading hours)

#### Parties:

- (1) The University;
- (2) Yanqiang Real Estate; and
- (3) Sichuan Derui.

Sichuan Derui is owned as to 69.44% by Mr. Yan Yude, a Director and a Controlling Shareholder of the Company, and therefore, Sichuan Derui is a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules. As at the Latest Practicable Date, Yanqiang Real Estate is a wholly-owned subsidiary of Sichuan Derui.

#### Subject matter of the Proposed Merger:

Pursuant to the Merger Agreement, Yanqiang Real Estate will be merged into the University and will cease to exist upon the completion of the transactions contemplated under the Merger Agreement.

Sichuan Derui acquired the land use right of the Land for a consideration of RMB296,000,000 on 10 April 2015.

#### Consideration:

The total consideration payable under the Merger Agreement by the University to Sichuan Derui is RMB476,000,000, which shall be paid in cash in three installments as set out below:

- RMB190,400,000, being approximately 40% of the total consideration, shall be payable within ten (10) business days from the date of signing of the Merger Agreement;

---

## LETTER FROM THE BOARD

---

- RMB238,000,000, being approximately 50% of the total consideration, shall be payable within ten (10) business days from the date on which all the conditions precedent as set forth in the Merger Agreement and as set out in the paragraph headed “Conditions precedent” hereunder are satisfied; and
- RMB47,600,000, being approximately 10% of the total consideration, shall be payable within twenty (20) business days after the date on which the registration of the University as the owner of the Land has been completed.

### **Basis of the consideration:**

The consideration was determined based on the total value of the assets of Yanqiang Real Estate, including (i) the market value of the land use right of the Land, which was approximately RMB456,000,000 as at 31 March 2019, according to the Valuation Report issued by an independent professional valuer, Asia-Pacific Consulting & Appraisal Limited, adopting the comparison approach; and (ii) the value of the creditor’s rights amounting to approximately RMB20,000,000, after arm’s length negotiation between the University and Sichuan Derui on normal commercial terms.

As the original acquisition of the Land by Sichuan Derui took place in 2015, the Company has therefore taken into account, among others, its current market value, rather than the original acquisition cost, in order to assess and determine a fair and reasonable consideration under the Merger Agreement.

The Company will fund the consideration for the Proposed Merger by a combination of internal resources of the Group and loan(s) from a third party bank.

### **Conditions precedent:**

Pursuant to the Merger Agreement, the obligation of the University to pay the consideration is subject to and is conditional upon the fulfillment of the following conditions precedent, among others:

- (a) the University having secured all approvals required to enter into the Merger Agreement and give effect to the Merger Agreement and the transaction contemplated thereunder, including the Independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules; and
- (b) all necessary changes of the industrial and commercial registration and filing required to be completed for the transfer of equity interests under the Merger Agreement having been completed.

As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled or waived.



---

## LETTER FROM THE BOARD

---

### Completion:

Completion will take place upon the completion of the deregistration of Yanqiang Real Estate. Upon completion, Yanqiang Real Estate will cease to exist, while the assets and liabilities of Yanqiang Real Estate will be inherited by the University.

### INFORMATION ON THE GROUP, THE UNIVERSITY, SICHUAN DERUI AND YANQIANG REAL ESTATE

#### *The Group*

The Group is principally engaged in the provision of preschool to grade twelve private education and private higher education services in the PRC.

#### *The University*

Chengdu Institute Sichuan International Studies University\* (四川外國語大學成都學院), namely the University, is a private university established under the laws of the PRC on 28 April 2004 and a consolidated affiliated entity of the Company where the school sponsor's interest is owned as to, among others, 51.87% by Sichuan Derui. As the Latest Practicable Date, the University offers higher education and is entitled to confer bachelor degree certificates and junior college diplomas in the PRC.

#### *Sichuan Derui*

Sichuan Derui is a company established under the laws of the PRC on 3 January 1993, which is owned as to, among others, 69.44% by Mr. Yan Yude, a Director and a Controlling Shareholder of the Company, and therefore, Sichuan Derui is a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules. Sichuan Derui is also a school sponsor of the University.

#### *Yanqiang Real Estate*

Yanqiang Real Estate is a company established under the laws of the PRC on 28 February 2011, and, as at the Latest Practicable Date, a wholly-owned subsidiary of Sichuan Derui. Set out below is a summary of the unaudited financial information of Yanqiang Real Estate as provided by Sichuan Derui:

	<b>As at 31 December 2017</b>	<b>As at 31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net asset	287,813	286,448
Net loss before and after tax	2,023	1,365

---

## LETTER FROM THE BOARD

---

### REASONS FOR AND BENEFITS OF THE PROPOSED MERGER

The Group plans to expand the University by establishing a practice and training base, which mainly includes the internship training base and the teaching workshop, for the purpose of enhancing the practical training for the students admitted or to be admitted in the courses of international nursing, international hotel management and other applied science courses under development.

The Land owned by Yanqiang Real Estate is an undeveloped land with a total area of approximately 200,000 square meters which is situated at Group No. 1, Gusi Village, Jiezi Town, Chongzhou City, Chengdu City, Sichuan Province, the PRC\* (中國四川省成都市崇州市街子古鎮古寺村一組). The Land is located within five kilometers from the current campus of the University. There is no other suitable land with similar size and scale nearby that can satisfy the needs of the abovementioned expansion plan.

According to the feasibility study conducted by the Group on the market of the private higher education in Sichuan province, as a trend, students graduated from private higher education institutions are facing increasingly severe employment challenges. In such a fierce competition environment, only those talents with excellent professional skills and comprehensive quality can have a better chance of being employed by reputable enterprises. The establishment of such practice and training base is an effective measure to improve our students' applicable practical skills and increase employment rate.

The Board believes that the Proposed Merger will provide an excellent opportunity to upgrade the University's current practice and training base, equip our students with comprehensive quality, further enhance the influence of our school brand in the southwest region of the PRC, and provide a strong guarantee for the country to cultivate its own high-quality talents.

The Directors (including the independent non-executive Directors) are of the view that (i) the Merger Agreement was entered into on normal commercial terms and is fair and reasonable so far as the Group and the Independent Shareholders are concerned despite it is not in the Group's ordinary and usual course of business, and (ii) the Merger Agreement and the transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole.

### THE PROPOSED ACQUISITION

On 14 June 2019 (after trading hours), Chengdu School, a consolidated affiliated entity of the Company, and Sichuan Derui entered into the Asset Transfer Agreement, pursuant to which Chengdu School agreed to purchase, and Sichuan Derui agreed to sell, the Assets for a total consideration of RMB394,300,000.

---

## LETTER FROM THE BOARD

---

### **The Asset Transfer Agreement**

Set out below are the principal terms of the Asset Transfer Agreement:

#### **Date:**

14 June 2019 (after trading hours)

#### **Parties:**

- (i) Chengdu School; and
- (ii) Sichuan Derui.

Sichuan Derui is owned as to 69.44% by Mr. Yan Yude, a Director and a Controlling Shareholder of the Company, and therefore, is a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules. Chengdu School is a wholly-owned subsidiary of Sichuan Derui and a consolidated affiliated entity of the Company.

#### **Assets to be acquired:**

Pursuant to the Asset Transfer Agreement, Sichuan Derui has agreed to sell, and Chengdu School has agreed to purchase, the Assets.

The Assets comprise the Properties, namely, (i) two pieces of lands of a total gross site area of approximately 51,609.83 square meters situated at Yinhe East Road, Xipu Town, Pidu District, Chengdu City, Sichuan Province, the PRC\* (中國四川省成都市郫都區犀浦鎮銀河東路), which were acquired by Sichuan Derui on 23 December 2004 at an acquisition cost of approximately RMB9,500,000 and were vacant at the time they were acquired, and (ii) four properties of a total gross floor area of approximately 60,521.55 square meters situated at the abovementioned lands, and the relevant employees, operating assets and operating liabilities serving the Properties.

#### **Consideration:**

The total consideration payable under the Asset Transfer Agreement by the Chengdu School to Sichuan Derui is RMB394,300,000, which shall be paid in cash in three installments as set out below:

- RMB157,720,000, being approximately 40% of the total consideration, shall be payable within ten (10) business days from the date of signing of the Asset Transfer Agreement;
- RMB197,150,000, being approximately 50% of the total consideration, shall be payable within thirty (30) business days from the date on which all conditions precedent as set forth in the Asset Transfer Agreement and as set out in the paragraph headed “Conditions precedent” hereunder are satisfied; and
- RMB39,430,000, being approximately 10% of the total consideration, shall be payable within ten (10) business days from the date on which the transfer of the Properties has been filed with relevant authorities.

---

## LETTER FROM THE BOARD

---

### **Basis of the consideration:**

The consideration was determined after arm's length negotiation between the parties by reference to the valuation of the Properties at RMB394,300,000 as at 31 March 2019 and the net value of the operating assets and the operating liabilities. The valuation was assessed by Asia-Pacific Consulting & Appraisal Limited, an independent professional valuer, adopting the depreciated replacement cost approach in valuing the relevant buildings and structures and the comparison approach in valuing the relevant lands.

As the original acquisition of the two pieces of lands (as part of the Properties) by Sichuan Derui took place in 2004, the Company has therefore taken into account, among others, their current market value, rather than the original acquisition cost by Sichuan Derui, in order to assess and determine a fair and reasonable consideration under the Asset Transfer Agreement.

The Company will fund the consideration for the Proposed Acquisition by a combination of internal resources of the Group and loan(s) from a third party bank.

### **Conditions precedent:**

Pursuant to the Asset Transfer Agreement, the obligation of the Chengdu School to pay the consideration shall be subject to and is conditional upon the fulfillment of the following conditions precedent:

- (a) the Chengdu School having secured all approvals required to enter into the Asset Transfer Agreement and give effect to the Asset Transfer Agreement and the transaction contemplated thereunder, including, where relevant, any Shareholders' approval pursuant to Chapters 14A of the Listing Rules; and
- (b) all representations, warranties and undertakings as set out in the Asset Transfer Agreement are true and correct and not misleading in any aspect.

As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled or waived.

### **Completion:**

Completion will take place immediately after (i) the transfer of the Properties has been filed with relevant authorities, and (ii) other than those who have decided not to take up the new employment, the employees have entered into new employment contracts with Chengdu School.

### **INFORMATION ON CHENGDU SCHOOL**

Chengdu Foreign Languages School\* (成都外國語學校), namely, Chengdu School, is a private school established under the laws of the PRC in September 2000, and a consolidated affiliated entity of the Company where the school sponsor's interest is wholly-owned by Sichuan Derui. As at the Latest Practicable Date, Chengdu School offers junior high and high school education in Chengdu city.

---

## LETTER FROM THE BOARD

---

### REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

Chengdu School is comprised of two campuses, namely, the middle school campus and the high school campus. As at the Latest Practicable Date, the Properties used by the middle school campus of Chengdu School as campus, teaching complex, dormitories and other facilities were leased from Sichuan Derui with a term of two years from 7 September 2018 to 6 September 2020. Currently, the Properties are managed and maintained by Sichuan Derui.

Among the Assets to be acquired under the Proposed Acquisition, the Properties have been put into use for more than ten years. Due to the importance of continuously improving teaching facilities and living conditions, as well as the growing demand for food safety and environment protection on campus, the Group plans to make continuous efforts in campus construction and facilities upgrading, such as renovation of the scientific laboratories and the operating area of the canteen, in order to satisfy the necessary functional needs.

As the Properties are owned and maintained by Sichuan Derui, the Group has been reluctant to continuously invest resources in campus upgrading at its own discretion. In the event that Sichuan Derui increases the rentals in the future to the extent that it is not financially economical for Chengdu School to operate by leasing the Properties, there is no assurance that Chengdu School will be able to relocate to comparable alternative premises without any adverse effect on its business, financial conditions and results of operations. If the Proposed Acquisition is approved and the Properties become self-owned, the Group will be able to make proper planning and renovation in accordance with the development needs of Chengdu School, and the Group's reliance on the Controlling Shareholder and the amount of the continuing connected transactions will be further reduced.

Meanwhile, for the purpose of the above and the Proposed Acquisition, the Group will enter into new employment contracts on the same terms as the existing employment contracts with the professional staff who are responsible for managing and maintaining the Properties, to ensure the management, maintenance and renovation of the Properties going forward.

The Directors (including the independent non-executive Directors) are of the view that (i) the Asset Transfer Agreement was entered into on normal commercial terms and is fair and reasonable so far as the Group and the Independent Shareholders are concerned despite it is not in the Group's ordinary and usual course of business, and (ii) the Asset Transfer Agreement and the transactions contemplated thereunder are in the interests of the Group and Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As (i) each of the Merger Agreement and the Asset Transfer Agreement was entered into between a consolidated affiliated entity of the Group and Sichuan Derui, and (ii) the transactions contemplated thereunder, both of which are expected to be completed within 12 months, involve acquisitions of interests or assets held by Sichuan Derui, the Proposed Merger and the Proposed Acquisition are required to be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceed 5% but all of

---

## LETTER FROM THE BOARD

---

the applicable percentage ratios do not exceed 25%, the Proposed Merger and the Proposed Acquisition, on an aggregated basis, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements as set out in Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Sichuan Derui is owned as to 69.44% by Mr. Yan Yude, a Director and a Controlling Shareholder of the Company, and therefore, Sichuan Derui is an associate of Mr. Yan Yude and a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules. Accordingly, each of the Proposed Merger and Proposed Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### EGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

A notice convening the EGM to be held at Room 105, Virscend Education Company Limited, No. 23 He Xin Lu, Pidun District, Chengdu, Sichuan Province, the PRC on 22 July 2019 at 3:00 p.m. to approve the Proposed Merger and the Proposed Acquisition is set out on pages 48 to 50 of this circular.

Mr. Yan Yude, a Director and a Controlling Shareholder who also holds 69.44% of the equity interest in Sichuan Derui, is considered to have a material interest in the Proposed Merger and the Proposed Acquisition. Ms. Wang Xiaoying, being a Director and a Controlling Shareholder and the spouse of Mr. Yan Yude, is also considered to have a material interest in the Proposed Merger and the Proposed Acquisition. Therefore, Mr. Yan Yude and Ms. Wang Xiaoying have been abstained from voting at the meeting of the Board on approving the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder. Save as disclosed above, none of the Directors was required to abstain from voting at the meeting of the Board approving the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Proposed Merger and their associates will not vote at the EGM. Mr. Yan Yude, a Director and a Controlling Shareholder who also holds 69.44% of the equity interest in Sichuan Derui, is considered to have a material interest in the Proposed Merger and the Proposed Acquisition. Ms. Wang Xiaoying, being a Director and a Controlling Shareholder and the spouse of Mr. Yan Yude, is also considered to have a material interest in the Proposed Merger and the Proposed Acquisition. Therefore, Mr. Yan Yude and Ms. Wang Xiaoying will abstain from voting at the EGM on the resolution(s) in respect of the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder. Save as disclosed above, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no other Shareholder has any material interest in the Proposed Merger and the Proposed Acquisition, and therefore, no other Shareholder will be required to abstain from voting at the EGM on the resolution(s) in respect of the Merger Agreement the Asset Transfer Agreement and the respective transactions contemplated thereunder at the EGM.

### Form of Proxy

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong Branch Share Registrar of the Company, Computershare Hong Kong

---

## LETTER FROM THE BOARD

---

Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM if they so wish and in such event the form of proxy shall be deemed to be revoked.

### **Voting by Poll**

Pursuant to Rule 13.39(4) of the Listing Rules and article 66 of the Articles of Association of the Company, any resolution put to the vote of the Shareholders at a general meeting shall be decided on a poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, each of the resolutions set out in the Notice will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she is the holder. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same way.

### **Closure of Register of Members**

The register of members of the Company will be closed from Wednesday, 17 July 2019 to Monday, 22 July 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the EGM, during which period no Share transfers will be registered. To be eligible to attend the EGM, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 July 2019.

### **RECOMMENDATION**

The Independent Board Committee, comprising of all the independent non-executive Directors, namely Mr. Sit Chiu Wing, Mr. Chan Kim Sun and Mr. Wen Ruizheng, has been formed to advise the Independent Shareholders, and Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise both the Independent Board Committee and the Independent Shareholders in respect of the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 15 to 16 of this circular, which contains the recommendation of the Independent Board Committee to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from the Independent Financial Adviser as set out on pages 17 to 33 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder.

---

## LETTER FROM THE BOARD

---

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, is of the view that (i) the Merger Agreement and the Asset Transfer Agreement were entered into on normal commercial terms and are fair and reasonable so far as the Group and the Independent Shareholders are concerned despite they are not in the ordinary and usual course of business of the Group; and (ii) the Merger Agreement and the Asset Transfer Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder.

The Board is of the opinion that the Merger Agreement and the Asset Transfer Agreement were entered into on normal commercial terms and are fair and reasonable so far as the Group and the Independent Shareholders are concerned and the Proposed Merger and the Asset Transfer Agreement and the respective transactions thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) recommend the Independent Shareholders to vote in favor of all the resolutions to be proposed at the EGM to approve the Merger Agreement and the Proposed Merger, the Asset Transfer Agreement and the respective transactions contemplated thereunder.

### ADDITIONAL INFORMATION

**Your attention is also drawn to the information set forth in the appendices to this circular and the notice of the EGM.**

Yours faithfully  
By order of the Board  
**Virscend Education Company Limited**  
**Wang Xiaoying**  
*Chairwoman*



---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

*The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the Merger Agreement, the Asset Transfer Agreement and the respective transactions contemplated thereunder.*



### Virscend Education Company Limited

成實外教育有限公司

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

**(Stock Code: 1565)**

5 July 2019

*To the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED MERGER AND PROPOSED ACQUISITION OF ASSETS**

#### **INTRODUCTION**

We refer to the circular dated 5 July 2019 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meaning when used herein unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise the Independent Shareholder whether in the view of the Independent Board Committee (i) the Merger Agreement and the Asset Transfer Agreement were entered into on normal commercial terms and are fair and reasonable so far as the Group and the Independent Shareholders are concerned; and (ii) the Merger Agreement and the Asset Transfer Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and to advise Shareholders how to vote.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

### RECOMMENDATION

Having taken into account the terms of the Merger Agreement and the Asset Transfer Agreement and the respective transactions contemplated thereunder and the advice of the Independent Financial Adviser (together with the principal factors and reasons considered in issuing such advice), we are of the opinion that (i) the Merger Agreement and the Asset Transfer Agreement were entered into on normal commercial terms and are fair and reasonable so far as the Group and the Independent Shareholders are concerned despite they are not in the ordinary and usual course of business of the Group; and (ii) the Merger Agreement and the Asset Transfer Agreement and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Merger Agreement and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of

**the Independent Board Committee**

**Sit Chiu Wing      Chan Kim Sun      Wen Ruizheng**  
*Independent Non-executive Directors*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter of advice from Innovax Capital Limited to the Independent Board Committee and the Independent Shareholders, for the purpose of incorporation into this circular.*

5 July 2019

*To the Independent Board Committee and the Independent Shareholders  
of Virscend Education Company Limited*

Dear Sirs,

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

### PROPOSED MERGER AND PROPOSED ACQUISITION

#### INTRODUCTION

We refer to our engagement as the independent financial adviser (“**IFA**”) to the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Merger Agreement and the Asset Transfer Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 5 July 2019 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement dated 14 June 2019 of the Company in relation to the Proposed Merger and the Proposed Acquisition. According to the Merger Agreement, Yanqiang Real Estate, being the subsidiary of Sichuan Derui, will be merged into the University and will cease to exist upon the completion of the transaction under the Merger Agreement, while Sichuan Derui as the selling shareholder will receive a cash consideration of RMB476 million. According to the Asset Transfer Agreement, Chengdu School, agreed to buy, and Sichuan Derui agreed to sell, the Assets for a total consideration of RMB394.3 million.

As (i) each of the Merger Agreement and the Asset Transfer Agreement was entered into between a consolidated affiliated entity of the Group with Sichuan Derui, and (ii) the transactions contemplated thereunder, both of which are expected to be completed within 12 months, involve acquisitions of interests or assets held by Sichuan Derui, the Proposed Merger and the Proposed Acquisition are required to be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules exceeds 5% but all of the applicable percentage ratios do not exceed 25%, the Proposed Merger and the Proposed Acquisition, on an aggregated basis, constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements as set out in Chapter 14 of the Listing Rules.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As at the Latest Practicable Date, Sichuan Derui is owned as to 69.44% by Mr. Yan Yude, a Director and a Controlling Shareholder of the Company, and therefore, Sichuan Derui is an associate of Mr. Yan Yude and a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules. Accordingly, each of the Proposed Merger and the Proposed Acquisition also constitutes a connected transactions for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been formed to consider whether the Proposed Merger and the Proposed Acquisition are in the Group's ordinary and usual course of business, the terms and conditions of the Merger Agreement and the Asset Transfer Agreement are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM. We, Innovax Capital Limited, have been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Merger and the Proposed Acquisition. In the last two years, we have not acted as any financial adviser role to the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the IFA, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the IFA in respect of the Proposed Merger and the Proposed Acquisition.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management ("**Management**") of the Company. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/ or the Directors, the Management (where applicable), which have been provided to us. The Directors have confirmed that,

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We, as the IFA, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Proposed Merger and the Proposed Acquisition, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Merger and the Proposed Acquisition.

### PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the Proposed Merger and the Proposed Acquisition, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

#### **(A) Background information of the Proposed Merger and the Proposed Acquisition**

##### ***1. Information of the Group, the University and Chengdu School***

According to the latest annual report of the Company (“**2018 Annual Report**”), the Group operates sixteen schools in three cities and a county in Sichuan province, namely Chengdu City, Panzhihua City, Zigong City and Qu County. Through these schools, the Group offers formal education with comprehensive education programs from kindergarten through university.

Chengdu Institute Sichuan International Studies University\* (四川外國語大學成都學院), namely the University, is a private university established under the laws of the PRC on 28 April 2004 and a consolidated affiliated entity of the Company where its school sponsor’s interest is owned as to, among others, 51.87% by Sichuan Derui. As at the Latest Practicable Date, the University offers higher education and is entitled to confer bachelor degree certificates and junior college diplomas in the PRC.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Chengdu Foreign Languages School\* (成都外國語學校), namely, Chengdu School, is a private school established under the laws of the PRC in September 2000, and a consolidated affiliated entity of the Company where the school sponsor's interest is wholly-owned by Sichuan Derui. As at the Latest Practicable Date, Chengdu School offers middle and high school education in Chengdu city.

We set out below a summary of the financials of the Group's audited results for the two years ended 31 December 2017 ("FY2017") and 2018 ("FY2018") extracted from the 2018 Annual Report, which were prepared in accordance with IFRS:

	<b>FY2018</b>	<b>FY2017</b>	<b>Change</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Revenue	1,167,954	952,767	22.6%
Cost of sales	(666,680)	(498,702)	33.7%
Gross profit	501,274	454,065	10.4%
Profit for the year	363,161	314,865	15.3%

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(%)</i>
Non-current assets	4,005,904	4,050,114	(1.1%)
Current assets	929,532	340,354	173.1%
Current liabilities	1,485,759	1,380,950	7.6%
Net current liabilities	(556,227)	(1,040,596)	(46.5%)
Net assets	2,832,933	2,680,141	5.7%
Cash and cash equivalents	639,392	294,107	117.4%
Contract liabilities/ deferred revenue	712,163	585,982	21.5%
Interest-bearing bank borrowings	1,082,000	919,037	17.7%
Current ratio	0.63	0.25	152.0%
Gearing ratio ( <i>note</i> )	38.2%	34.3%	11.4%

*Note:* Gearing ratio equals total debt divided by total equity as of the end of the year. Total debt means all interest-bearing bank borrowings

According to the 2018 Annual Report, the Company has recorded an increase in its revenue from RMB952.8 million for FY2017 to RMB1,168.0 million for FY2018. Revenue of the Group refers to: (i) students fee, typically comprising tuition fees and boarding fees; (ii) revenue from management and consultation services provided to the associate school and a third party. Tuition fees remained to be the major revenue, accounted for approximately 95.9% of the total revenue of the Company for FY2018. Such increase was mainly due to the increase of the Group's student enrolment and average tuition fee. As at 31 December 2018, the aggregate number of students enrolled at the schools of the

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Group increased by approximately 19.0% to approximately 45,802 from 38,498 as at 31 December 2017. The increase in the aggregate number of students enrolled was attributable to the increases in the capacity of two new schools and certain existing schools. Meanwhile, the Company has recorded an increase in its net profit from RMB314.9 million for FY2017 to RMB363.2 million for FY2018 due to the sustainable growth of revenue.

The Group's net current liabilities improved significantly from approximately RMB1,040.6 million as at 31 December 2017 to approximately RMB556.2 million, and its current ratio improved from 0.25 as at 31 December 2017 to 0.63 as at 31 December 2018. The improvement of the Group's net current liabilities position and current ratio was mainly due to the increase of the Group's cash and cash equivalents from approximately RMB294.1 million as at 31 December 2017 to approximately RMB639.4 million as at 31 December 2018. The significant increase on the Group's cash and cash equivalents was mainly attributable to the strong operating cash inflow of the Group (approximately RMB712.6 million for FY2018), partially offset by the Group's net cashflow used in investing activities and financing activities.

As at 31 December 2018, the Group's total interest-bearing borrowing was approximately RMB1,082 million, compared with approximately RMB919.0 million as at 31 December 2017. Due to the increase of interest-bearing borrowing, the Group's gearing ratio increased from 34.3% as at 31 December 2017 to 38.2% as at 31 December 2018.

### **2. Information of Yanqiang Real Estate and the Land**

Yanqiang Real Estate is a company established under the laws of the PRC on 28 February 2011, and a wholly-owned subsidiary of Sichuan Derui, a connected person to the Company.

Set out below is a summary of the unaudited financial information of Yanqiang Real Estate as provided by Sichuan Derui:

	<b>As at 31 December 2017 RMB'000 (unaudited)</b>	<b>As at 31 December 2018 RMB'000 (unaudited)</b>
Net asset	287,813	286,448
Net loss before and after tax	2,023	1,365

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Yanqiang Real Estate owns the Land, which is a piece of undeveloped land with a total area of approximately 200,000 square meters situated at Group No. 1, Gusi Village, Jiezi Town, Chongzhou City, Chengdu City, Sichuan Province, the PRC\* (中國四川省成都市崇州市街子古鎮古寺村一組). The Land is located within five kilometers from the current campus of the University.

The land use rights of the Land have been granted to Yanqiang Real Estate for a term with the expiry date of 19 December 2052.

### **3. Information of the Assets**

The Assets comprise the Properties, namely, (i) two pieces of lands of a total gross site area of approximately 51,609.83 square meters, situated at Yinhe East Road, Xipu Town, Pidu District, Chengdu City, Sichuan Province, the PRC\* (中國四川省成都市郫都區犀浦鎮銀河東路); and (ii) four properties of a total gross floor area of approximately 60,521.55 square meters situated at the abovementioned lands; and the relevant employees, operating assets and operating liabilities serving the Properties. These two pieces of lands, which was vacant at the time, were acquired by Sichuan Derui on 23 December 2004, at an acquisition cost of approximately RMB9,500,000.

### **4. Reason for and benefits of the Proposed Merger and the Proposed Acquisition**

#### **(a) The Proposed Merger**

According to the Letter from the Board, it is stated that:

1. the Group plans to expand the University by establishing a practice and training base, (“**New Complex**”) which mainly includes the internship training base, and the teaching workshop, for the purpose of enhancing the practical training for the students admitted or to be admitted in the courses of international nursing, international hotel management and other applied science courses under development;
2. according to the feasibility study conducted by the Group on the market of the private higher education in Sichuan province, as a trend, students graduated from private higher education institutions are facing increasingly severe employment challenges. In such a fierce competition environment, only those talents with excellent professional skills and comprehensive quality can have a better chance of being employed by reputable enterprises. The establishment of such practice and training base is an effective measure to improve the Group’s students’ applicable practical skills and increase employment rate; and



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

3. as the Land, which is a piece of undeveloped land with a total area of approximately 200,000 square meters and located within five kilometres from the current campus of the University. The Management consider that there is no other suitable land with similar size and scale nearby that can satisfy the needs of the abovementioned expansion plan. Therefore, the Board believes that the Proposed Merger will provide an excellent opportunity to upgrade the University's current practice and training base, equip the Group's students with comprehensive quality, further enhance the influence of the Group's school brand in the southwest region of the PRC, and provide a strong guarantee for the country to cultivate its own high-quality talents.

In addition, after discussion with the Management, we were advised that the Proposed Merger will further strengthen the competitiveness of the University. Based on the data provided by the Management, we noted that the overall utilisation rate of the University increased from 97.4% as at 31 December 2017 to 99.2% as at 31 December 2018, details of which are set out below:

	As at 31 December		Change (%)
	2018	2017	
Total number of students enrolled	16,617	15,404	7.9%
Total student capacity	16,746	15,808	5.9%
Overall utilisation rate ( <i>Note</i> )	99.2%	97.4%	1.9%

*Note:* Utilization rate is calculated as the number of students enrolled divided by the estimated capacity for the University. The estimated capacity for students is calculated based on the number of beds available in student dormitories.

With the increase in income and wealth, the middle-class families can afford the higher expenditure on high-quality educational activities. Looking forward, the market trend in both revenue and student enrolment for private fundamental education in China will continue to grow.

The Land, to be acquired under the Proposed Merger, is located within five kilometres from the current campus of the University. The Directors therefore considered that the Land would be suitable for the University's expansion plan in terms of size and location. The Directors considered the Group's expansion plans would enhance the competitiveness of the University. Currently, the Group plans to begin the construction work in the second half of 2019 and it is expected that the construction and renovation work will be completed around 2.5 years and the building will be ready for use in 2022. Upon the opening of the New Complex, it will further strengthen the competitiveness of the University to attract students enrollment.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Through the Proposed Merger, the Group is able to invest and build up the New Complex on the self-owned land, and prevent certain operating risks of the New Complex. For example, the University is not subject to any operating risk to find suitable premises in the event that the landlords refuse to renew the relevant lease agreements upon the expiry of their terms.

*(b) The Proposed Acquisition*

As advised by the Management, Chengdu School is comprised of two campuses, namely, the middle school campus and the high school campus. Currently, the Properties are used by the middle school campus of Chengdu School as campus, teaching complex, dormitories and other facilities. The Properties are built, managed and maintained by Sichuan Derui.

Among the Assets to be acquired under the Proposed Acquisition, the Properties have been put into use for more than ten years. Due to the importance of continuously improving the teaching facilities and campus living conditions, as well as the growing demand for food safety and environment protection on campus, the Group plans to make continuous efforts in campus construction and facilities upgrading, such as renovation of the scientific laboratories and the operating area of the canteen, in order to satisfy the necessary functional needs.

As the Properties are owned and maintained by Sichuan Derui, the Group has been reluctant to make continuous resources investment in campus upgrading at its own discretion while facing future uncertainties. As the existing lease agreement will expire in September 2020, in the event that (i) Sichuan Derui increases the rentals in the future to the extent that it is not financially economical for Chengdu School to operate by leasing the Properties; or (ii) Sichuan Derui refuse to renew the relevant lease agreement upon the expiry of their terms, there is no assurance that Chengdu School will be able to relocate to comparable alternative premises without any adverse effect on its business, financial conditions and results of operations. If the Proposed Acquisition is approved and the Properties become self-owned, the Group will be able to make proper planning and renovation in accordance with the development needs of Chengdu School, and the Group's reliance on the Controlling Shareholder and the amount of the continuing connected transactions will be further reduced.

Based on the above benefits, we concur the Directors' view that the Proposed Merger and the Proposed Acquisition are in the interests of the Group and the Shareholders as a whole, despite it is not in the Group's ordinary and usual course of business.

**(B) The Merger Agreement and the Asset Transfer Agreement**

***1. Principal terms of the Merger Agreement***

**Date:**

14 June 2019 (after trading hours)

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **Parties:**

- (1) The University;
- (2) Yanqiang Real Estate; and
- (3) Sichuan Derui.

Sichuan Derui is owned as to 69.44% by Mr. Yan Yude, a Director and a Controlling Shareholder of the Company, and therefore, Sichuan Derui is a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules.

### **Subject matter of the Proposed Merger:**

Pursuant to the Merger Agreement, Yanqiang Real Estate will be merged into the University and will cease to exist upon the completion of the transaction under the Merger Agreement.

### **Consideration:**

The total consideration payable under the Merger Agreement by the University to Sichuan Derui is RMB476 million, which shall be paid in cash in three installments as set out below:

- RMB190,400,000, being approximately 40% of the total consideration, shall be payable within ten (10) business days from the date of signing of the Merger Agreement;
- RMB238,000,000, being approximately 50% of the total consideration, shall be payable within ten (10) business days from the date on which all conditions precedent as set forth in the Merger Agreement and as set out in the paragraph headed “Conditions precedent” hereunder are satisfied; and
- RMB47,600,000, being approximately 10% of the total consideration, shall be payable within twenty (20) business days after the date on which the registration of the University as the owner of the Land has been completed.

### *Basis of the consideration:*

As stated in the Letter from the Board, the consideration was determined based on the total value of the assets of Yanqiang Real Estate, including (i) the market value of the land use right of the Land, which was approximately RMB456 million as at 31 March 2019, according to the valuation report issued by an independent professional valuer, Asia-Pacific Consulting & Appraisal Limited; and (ii) the value of the creditor’s rights amounting to approximately RMB20 million, after arm’s length negotiation between the University and Sichuan Derui on normal commercial terms.

As stated in the Letter from the Board, Sichuan Derui acquired the land use right of the Land for a total consideration of RMB296,000,000 on 10 April 2015. As the original acquisition of the Land by Sichuan Derui took place in 2015, the Company has therefore taken into account, among others, its current market value, rather than the original acquisition cost, in order to assess and determine a fair and reasonable consideration under the Merger Agreement.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Company will fund the consideration for the Proposed Merger by a combination of internal resources of the Group and loan(s) from a third party bank.

### **Conditions precedent:**

Pursuant to the Merger Agreement, the obligation of the University to pay the consideration is subject to and is conditional upon the fulfillment of the following conditions precedent, among others:

- (a) the University having secured all approvals required to enter into the Merger Agreement and give effect to the Merger Agreement and the transaction contemplated thereunder, including the Independent Shareholders' approval pursuant to Chapters 14A of the Listing Rules; and
- (b) all necessary changes of the industrial and commercial registration and filing required to be completed for the transfer of equity interests under the Merger Agreement having been completed.

As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled or waived.

### **Completion:**

Completion will take place upon the completion of the deregistration of Yanqiang Real Estate. Upon completion, Yanqiang Real Estate will cease to exist, while the assets and liabilities of Yanqiang Real Estate will be inherited by the University.

## **2. *Principal terms of the Asset Transfer Agreement***

### **Date:**

14 June 2019 (after trading hours)

### **Parties:**

- (i) Chengdu School; and
- (ii) Sichuan Derui.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **Assets to be acquired:**

Pursuant to the Asset Transfer Agreement, Sichuan Derui has agreed to sell, and Chengdu School has agreed to purchase, the Assets.

As a part of the Proposed Acquisition, the Group will enter into new employment contracts, at the same terms as the existing employment contracts, with the relevant staff who are responsible for managing and maintaining the Properties, to ensure the management, maintenance and renovation of the Properties going forward.

### **Consideration:**

The total consideration payable under the Asset Transfer Agreement by the Chengdu School to Sichuan Derui is RMB394.3 million, which shall be paid in cash in three installments as set out below:

- RMB157,720,000, being approximately 40% of the total consideration, shall be payable within ten (10) business days from the date of signing of the Asset Transfer Agreement;
- RMB197,150,000, being approximately 50% of the total consideration, shall be payable within thirty (30) business days from the date on which all conditions precedent as set forth in the Asset Transfer Agreement and as set out in the paragraph headed “Conditions precedent” hereunder are satisfied; and
- RMB39,430,000, being approximately 10% of the total consideration, shall be payable within ten (10) business days from the date on which the transfer of the Properties has been filed with relevant authorities.

### **Basis of the consideration:**

The consideration was determined after arm’s length negotiation between the parties by reference to (i) the valuation of the Properties at RMB394.3 million as at 31 March 2019, as assessed by Asia-Pacific Consulting & Appraisal Limited, an independent professional valuer; and (ii) the net value of the operating assets and the operating liabilities.

As the original acquisition of the two pieces of lands (as part of the Properties) by Sichuan Derui took place in 2004, the Company has therefore taken into account, among others, its current market value, rather than the original acquisition cost by Sichuan Derui, in order to assess and determine a fair and reasonable consideration under the Asset Transfer Agreement.

The Company will fund the consideration for the Proposed Acquisition by a combination of internal resources of the Group and loan(s) from a third party bank.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### Conditions precedent:

Pursuant to the Asset Transfer Agreement, the obligation of the Chengdu School to pay the consideration shall be subject to and is conditional upon the fulfillment of the following conditions precedent:

- (a) the Chengdu School having secured all approvals required to enter into the Asset Transfer Agreement and give effect to the Asset Transfer Agreement and the transaction contemplated thereunder, including, where relevant, any Shareholders' approval pursuant to Chapter 14A of the Listing Rules; and
- (b) all representations, warranties and undertakings as set out in the Asset Transfer Agreement are true and correct and not misleading in any aspect.

As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled or waived.

### Completion:

Completion will take place immediately after (i) the transfer of the Properties has been filed with relevant authorities; and (ii) other than those who have decided not to take up the new employment, the employees have entered into new employment contracts with Chengdu School.

### **3. *Our work done to assess the fairness of the consideration ("Consideration") under the Merger Agreement and the Asset Transfer Agreement***

#### **Background information**

The Land and the Properties were valued by Asia-Pacific Consulting & Appraisal Limited, the Independent Valuer appointed by the Group to provide a valuation on the Land and the Properties. The property valuation report is contained in Appendix I to the Circular (the "**Property Valuation Report**"). We have conducted an interview with the Independent Valuer regarding its experience in valuing similar real property interests in PRC and its independence. Based on our interview with the Independent Valuer, we understand that the Independent Valuer is an established independent property valuer with a large number of completed assignments acting for listed companies with property interests in, among others, Hong Kong. We also understand that the valuers-in-charge of the Independent Valuer's valuation team have over 19 years' experience in the valuation of properties.

We have also reviewed the terms of engagement letter of the Independent Valuer and noted that the purpose of which is to prepare a property valuation report and provide the Company with the market values of the Land and the Properties. The engagement letter also contains standard valuation scopes that are typical of property valuation carried out by independent property valuers. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Independent Valuer in the Property Valuation Report. We also understand from the Independent Valuer that it has carried out on-site inspections and made relevant enquiries and obtained further information for the purpose of the valuation of the Properties and Land as at 31 March 2019 (the "**Valuation Date**").

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In valuing the property interests, the Independent Valuer has complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Listing Rules and the HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

Based on the above works performed, we consider that the Independent Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Land and the Properties.

### **Valuation methodology and assumptions**

As stated in the Property Valuation Report, the market value of the Land and the Properties as at 31 March 2019 was RMB456 million and RMB394.3 million, respectively. Among the market value of the Properties, it was comprised of (i) land portion of RMB96 million; and (ii) buildings and structure of RMB298.3 million, respectively.

We have reviewed the Property Valuation Report and discussed with the Independent Valuer regarding the methodology, basis and assumptions adopted in arriving at the valuation of the Land and the Properties as at 31 March 2019.

As stated in the Property Valuation Report, the comparison approach was adopted by the Independent Valuer for the valuation of the Land and the land portion of the Properties, which assume sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transaction as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Due to the nature of the buildings and structures of the Properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales comparables readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Set out below are our works performed in assessing the fairness, reasonableness and completeness of the methodologies, basis and assumptions adopted in the valuations by the Independent Valuer:

- We have reviewed the Property Valuation Report and discussed with the Independent Valuer in relation to the methodologies adopted for and the basis and assumption used in arriving the market value of the Land and the land portion of the Properties. In the course of our discussion with the Independent Valuer, we noted that the Independent Valuer had used the comparison approach by reference to comparable sales transaction as available in the relevant market for the valuation of the Land and the land portion of the Properties. We understand from the Independent Valuer that there are three commonly adopted approaches which can be used for valuation of a property, namely, investment approach, comparison approach, and cost approach. According to the Independent Valuer that (i) the cost approach is used only when there is no market parameter available, which is not in this case; (ii) the comparison approach considers the market parameters through the comparable sales evidence; and (iii) the investment approach estimates value of a property by the present value of the income generated. As advised by the Independent Valuer, the income approach is also not considered appropriate, given this method involves more assumptions and estimates while not all of the assumptions and estimates can be easily quantified or reliably measured, and there is no sufficient information to allow detailed planning for reliable cashflow projection. Instead, the comparison approach, which has included the market parameters, is straight forward and widely acceptable, and therefore is considered as the most appropriate methodology for the valuation of the Land and the land portion of the Properties;
- In the course of our discussion with the Independent Valuer, we were provided several comparable properties (“**Comparables**”) located in the vicinity of the subject properties and have similar land usage as the Land and the land portion of the Properties. The tables below summarize the values of the Comparables:

### For the valuation of the Land

	Date of transaction	Value (RMB per sq.m.)
Comparable A	January 2019	2,400
Comparable B	December 2018	1,905
Comparable C	December 2018	1,800
	Reference price range:	1,800-2,400
	The Land:	2,280

### For the valuation of the land portion of the Properties

	Date of transaction	Value (RMB per sq.m.)
Comparable D	October 2018	1,350
Comparable E	October 2018	1,500
Comparable F	September 2016	1,652
	Reference price range:	1,350-1,652
	The land portion of the Properties:	1,860



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- We were advised by the Independent Valuer that the sampling selection basis include (i) similar usage and conditions of the properties; (ii) location of the properties; and (iii) date of transactions. As confirmed by the Independent Valuer, the samples selected were considered as representative and exhaustive, based on the data currently available to them. It is also noted that the Independent Valuer has relied upon China Real Estate Index System (“CREIS”) (中國房地產指數系統) as the source of sales evidence information on the Comparables. CREIS is a system developed and published by the China Index Academy (中國指數研究院), which is one of the largest real estate professional research organisations in the PRC;
- During our discussion with the Independent Valuer, we understand (i) how the valuations were being derived; and (ii) how the comparable properties were weighted against their respective advantage and drawbacks in terms of plot ratio, location and environment, accessibility, size, hypsography and geological situation. For example, the value of the land portion of the Properties (RMB1,860 per sq.m.) is higher than those of the comparables because of the Properties is located in vicinity of several education institutions, including Southwest Jiaotong University (西南交通大學), University of Electronic Science and Technology of China (電子科技大學) and etc. We have discussed with the Independent Valuer and noted that the above assumptions and adjustments are common practice in valuation of properties in the PRC, and therefore consider that they are fair and reasonable; and
- As advised by the Independent Valuer, due to the nature of the buildings and structures of the Properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales comparables readily available, the buildings and structures of the Properties have been valued by the cost approach with reference to their depreciated replacement costs. The Independent Valuer confirmed that they had assessed the reasonableness of the expected construction costs and other expenses to be incurred for the of the buildings and structures of the Properties against the Independent Valuer’s internal database of historical construction expenses and readily available market data of similar development projects.

Based on the above works performed, we are of the opinion that the methodologies, basis and assumptions adopted by the Independent Valuer in the valuations are in line with market practice and reasonable in establishing the market values of the Land and the Properties as at the Valuation Date.

We noted that the Independent Valuer has made various assumptions for the Independent Valuation, including (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests; and (ii) no allowance has been made in Property Valuation Report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation (including Land Appreciation Tax) which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Details of the assumptions made by the Independent Valuer for the Independent Valuation are set out in the Appendix I to the Circular. We have discussed with the Management and the Independent Valuer, and reviewed the key assumptions made and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Property Valuation Report.

### *(C) Possible financial effects of the Proposed Merger and the Proposed Acquisition*

Upon completion of the Merger Agreement, Yanqiang Real Estate will cease to exist, while the assets and liabilities of Yanqiang Real Estate, including the Land, will be inherited by the University.

Upon completion of the Asset Transfer Agreement, Chengdu School will directly own the Assets.

As at 31 December 2018, the Group had consolidated current assets of approximately RMB929.5 million, among which approximately RMB639.4 million was cash and bank balances. In addition, the Group recorded strong operating cash inflow (approximately RMB712.6 million for FY2018) and maintain healthy gearing ratio of 38.2% as at 31 December 2018.

Under the existing leasing agreement for the Properties, the annual rental payable by Chengdu School is approximately RMB3.02 million. Upon the completion of the Proposed Acquisition, the relevant leasing agreement will be terminated.

According to the Merger Agreement and the Asset Transfer Agreement, the total cash consideration payable by the Group is approximately RMB870.3 million. As advised by the Management, approximately RMB348.1 million, being 40% of the total consideration, will be financed by the Group's internal resources. The remaining consideration of approximately RMB522.2 million will be financed by external long-term bank loans.

As advised by the Management, 60% of the total consideration payable by the Group, being approximately RMB522.2 million will be financed by long-term bank loans, and it will increase the gearing ratio of the Group. Had the Proposed Merger and Proposed Acquisition, been completed on 31 December 2018, the interest-bearing bank borrowings would have increased from RMB1.08 billion to RMB1.6 billion. As such, the gearing ratio, as expressed in the ratio of interest-bearing bank borrowing to total equity, would have increased from 38.2% to 56.6%.

Having considered the reasons and benefits of the Proposed Merger and Proposed Acquisition, and the fairness and reasonableness of the Consideration, we are of the view that the short-term adverse financial impact to the Group in respect of cash position and gearing are commercially acceptable and justifiable.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the entering into the Merger Agreement, the Asset Transfer Agreement or the completion of the Proposed Merger and the Proposed Acquisition. Shareholders should note that the actual financial effect as a result of the Proposed Merger and the Proposed Acquisition to be recorded by the Group is subject to audit.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Proposed Merger and the Proposed Acquisition are in the interests of the Group and the Shareholders as a whole, despite it is not in the Group's ordinary and usual course of business, and the terms and conditions of the Merger Agreement and the Asset Transfer Agreement are fair and reasonable.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Proposed Merger and the Proposed Acquisition, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully  
For and on behalf of  
**Innovax Capital Limited**  
**Alvin Kam**  
*Managing Director*

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 31 March 2019 of the property interests of the Group.*



Asia-Pacific Consulting and Appraisal Limited  
Room 1907, 19/F, Lee Garden One,  
33 Hysan Avenue, Causeway Bay,  
Hong Kong

5 July 2019

The Board of Directors  
**Virscend Education Company Limited**  
**No. 23 He Xin Lu**  
**Pidu District**  
**Chengdu**  
**The PRC**

Dear Sirs,

#### **Instructions, Purpose and Date of Valuation**

Asia-Pacific Consulting and Appraisal Limited (“**APA**” or “**we**”) is instructed by Virscend Education Company Limited (the “**Company**”) to provide valuation service on 2 properties located in Chongzhou City and Chengdu City, respectively, of the People’s Republic of China (the “**PRC**”) for disclosure purpose. One property is held by Chengdu Yanqiang Real Estate Development Co., Ltd. (成都嚴強房地產開發有限公司) (“**Yanqiang Real Estate**”), a limited liability company established under the laws of the PRC and a subsidiary of Sichuan Derui Enterprise Development Co., Ltd (四川德瑞企業發展有限公司) (“**Sichuan Derui**”), a company established under laws of the PRC, which is owned as to 69.44% by Mr. Yan Yude. The other property is held by Sichuan Derui. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the properties interests as at 31 March 2019 (the “**valuation date**”).

#### **Basis of Valuation**

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

**Methods of Valuation**

In valuing the property no. 1 and land portion of property no. 2, we have adopted the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Due to the nature of the buildings and structures of the property no. 2 and the particular location in which they are situated, there are unlikely to be relevant market comparable sales comparables readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

**Valuation Assumptions**

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation (including Land Appreciation Tax) which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

**Valuation Standards**

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation - Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

**Source of Information**

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure and all other relevant matters. Dimensions and measurements are based on the copies of documents collected from the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information to reach an informed view and we have had no reason to suspect that any material information has been withheld.

**Document and Title Investigation**

We have been shown copy of State-owned Land Use Rights Certificates, Building Ownership Certificates relating to the property interests and have made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied to a very considerable extent on the information given by the Company, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters. We have relied considerably on the advice given by the Company's PRC legal adviser —Sichuan Suozheng Law Firm (四川索正律師事務所), concerning the validity of the property interests in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

**Area Measurement and Inspection**

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in February and April 2019 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor and has over 19 years' experience in property valuation in the PRC ; Ms. Anker Liu who have 2 years' experience in property valuation in the PRC.

**Currency**

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,  
for and on behalf of  
**Asia-Pacific Consulting and Appraisal Limited**  
**David G.D. Cheng**  
*MRICS*  
*Executive Director*

*Note:* David G.D. Cheng is a Chartered Surveyor who has 19 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

## SUMMARY OF VALUES

## Property interest held for development in the PRC

No.	Property	Market value in existing state as at the valuation date <i>RMB</i>
1.	A parcel of land located at No. 1 Group, Gusi Village, Jiezi Town, Chongzhou City, Sichuan Province, The PRC	456,000,000

## Property interest held for owner occupation in the PRC

2.	2 parcels of land, 4 buildings and various structures located at Yinhe East Road, Xipu Town, Pidu District, Chengdu City, Sichuan Province, The PRC	394,300,000
----	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

**Grand-total:** **850,300,000**



## VALUATION CERTIFICATE

## Property interest held for development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
1.	A parcel of land located at No. 1 Group, Gusi Village, Jiezi Town, Chongzhou City, Sichuan Province, The PRC	The property comprises a parcel of land with a site area of approximately 200,000 sq.m.  The land use rights of the property have been granted for a term with the expiry date of 19 December 2052 for ecological comprehensive use.	The property is currently vacant.	456,000,000

## Notes:

- Chengdu Yanqiang Real Estate Development Co., Ltd (成都嚴強房地產開發有限公司) (“**Yanqiang Real Estate**”), a limited liability company established under the laws of the PRC and a subsidiary of Sichuan Derui Enterprise Development Co., Ltd (四川德瑞企業發展有限公司) (“**Sichuan Derui**”), a company established under laws of the PRC, which is owned as to 69.44% by Mr. Yan Yude.
- Pursuant to a State-owned Land Use Rights Certificate — Chong Guo Yong (2012) Di No. 3428, the land use rights of the aforesaid land with a site area of approximately 200,000 sq.m. have been granted to Yanqiang Real Estate for a term with the expiry date of 19 December 2052 for ecological comprehensive use.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
  - The procedure for Yanqiang Real Estate to obtain the land use right of the property is legal and valid; and
  - Before the expiry date stipulated in the State-owned Land Use Rights Certificate, Yanqiang Real Estate is the sole land-use-rights holder of the land and has the right to legally occupy, use, lease, transfer, mortgage or disposal the land use rights according to the legal and stipulated usage.
- Our valuation has been made on the following basis and analysis:

In valuing the subject property, we have adopted the comparison approach, we have identified and analyzed various transactions in the locality which have similar characteristics as the property. The unit price of these comparable land range from RMB1,800/sq.m to RMB2,400/sq.m. Appropriate adjustments and analysis are considered to the location, size, plot ratio, usage of land, transaction date and other characters between the comparable land and the land of the property to arrive at an assumed unit rate for the land of the property. The adopted unit land price of the property is RMB2,280/sq.m.

Below are some details of Comparable Factors:

No.	Compare Element	Comparable A	Comparable B	Comparable C
1	Transaction Unit Price	2,400	1,905	1,800
2	Purchaser	Chengdu Anren OCT Cultural Tourism Development Co., Ltd.	Dujiangyan Global Century Exhibition Tourism Resources Development Co., Ltd.	Chengdu Dujiangyan Cultural Tourism Investment Co., Ltd.
3	Address	Anren Town, Dayi County	Zhongxing Town, Dujiangyan City	Kuiguang Tower Street, Dujiangyan City
4	Usage	Other commercial service	Other commercial service	Other commercial service
5	Transaction date	2019-1	2018-12	2018-12
6	Transaction situation	Auction	Listing	Auction
7	Nature of land use rights	Granted	Granted	Granted
8	Land use term	40	40	40
9	Site area	56,011	267,574	9,275

## VALUATION CERTIFICATE

## Property interest held for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	2 parcels of land, 4 buildings and various structures located at Yinhe East Road, Xipu Town, Pidun District, Chengdu City, Sichuan Province, The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 51,609.83 sq.m., 4 buildings and various structures erected thereon which were completed in 2003.</p> <p>The 4 buildings have a total gross floor area of approximately 60,521.55 sq.m., mainly include teaching building, dormitories, dining halls.</p> <p>The structures mainly include ancillary facilities, sports ground, gates, boundary walls and roads.</p> <p>The land use rights of the property have been granted for a term with the expiry date of 23 December 2054 for education use.</p>	The property is currently occupied by Chengdu School, being a consolidated affiliated entity of the Company for education and ancillary purposes.	394,300,000

## Notes:

1. Sichuan Derui Enterprise Development Co., Ltd (四川德瑞企業發展有限公司) ("Sichuan Derui"), a company established under laws of the PRC, which is owned as to 69.44% by Mr. Yan Yude.
2. Pursuant to 2 State-owned Land Use Rights Certificates — Pi Guo Yong (2016) No. 5744 and Pi Guo Yong (2016) No. 5746, the land use rights of the aforesaid land with a total site area of approximately 51,609.83 sq.m. have been granted to Sichuan Derui for a term with the expiry date of 23 December 2054 for education use.
3. Pursuant to 4 Building Ownership Certificates — Pi Fang Di Quan Zheng Zi Di Nos. 0045489, 0045490, 0045491 and 0062615, 4 buildings with a total gross floor area of approximately 60,521.55 sq.m. are owned by Sichuan Derui.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
  - a. Sichuan Derui legally owns the land use rights of the property and is the sole legal land user of the property with valid term stipulated in the State-owned Land Use Rights Certificates;
  - b. Sichuan Derui legally constructs and owns the building ownership rights of the property mentioned in note 3 and the procedure for Sichuan Derui to obtain the building ownership of the property is legal and valid;
  - c. Sichuan Derui has the right to freely occupy, use, lease, transfer and dispose of the land use rights and building ownership of the property according to the legal and stipulated usage.

5. The apportionment values of the property between land and buildings and structures as at the valuation date are stated as follows:

<b>Portion</b>	<b>Market value in existing state as at the valuation date RMB</b>
Land	96,000,000
Buildings and structures	<u>298,300,000</u>
Grand Total	<u><u>394,300,000</u></u>

6. Our valuation has been made on the following basis and analysis:

In valuing the land portion of the subject property, we have adopted the comparison approach, we have identified and analyzed various transactions in the locality which have similar characteristics as the land of the property. The unit price of these comparable land range from RMB1,350/sq.m to RMB1,652/sq.m. Appropriate adjustments and analysis are considered to the location, size, plot ratio, usage of land, transaction date and other characters between the comparable land and the land of the property to arrive at an assumed unit rate for the land of the property. The adopted unit land price of the property is RMB1,860/sq.m.

Below are some details of Comparable Factors:

<b>No.</b>	<b>Compare Element</b>	<b>Comparable A</b>	<b>Comparable B</b>	<b>Comparable C</b>
1	Transaction Unit Price	1,350	1,500	1,652
2	Purchaser	Sichuan Media College	Chengdu Xindu District Xingcheng Construction Investment Co., Ltd.	Chengdu Qizhong Jiaxiang Foreign Language School
3	Address	Pidu District, Chengdu City	Xindu District, Chengdu City	Chenghua District, Chengdu City
4	Usage	Education	Education	Education
5	Transaction date	2018-10	2018-10	2016-09
6	Transaction situation	Listing	Listing	Listing
7	Nature of land use rights	Granted	Granted	Granted
8	Land use term	50	50	50
9	Site area	68,108	82,404	67,845

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****(a) Directors' and chief executive's interest and short positions in the Shares, underlying Shares or debentures of the Company or its associated companies**

As at the Latest Practicable Date, save as disclosed below, interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules were as follows:

<b>Name</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares</b>	<b>Long/short position</b>	<b>Approximate Percentage of Shareholding in the Company (%)</b>
Mr. Yan Yude <sup>(1)</sup>	Interest in a controlled corporation	1,292,456,045	Long Position	41.84
	Interest of spouse	67,500,000	Long Position	2.19
Ms. Wang Xiaoying <sup>(2)</sup>	Interest of spouse	1,292,456,045	Long Position	41.84
	Interest in a controlled corporation	67,500,000	Long Position	2.19

*Notes:*

- (1) Mr. Yan Yude is the sole shareholder and sole director of Virscend Holdings Company Limited and he is therefore deemed to be interested in the Shares held by Virscend Holdings Company Limited. Mr. Yan Yude is also the husband of Ms. Wang Xiaoying and is therefore deemed to be interested in the Shares indirectly held by Ms. Wang Xiaoying through Smart Ally International Limited.
- (2) Ms. Wang Xiaoying is the sole shareholder and director of Smart Ally International Limited and she is therefore deemed to be interested in the Shares held by Smart Ally International Limited. Ms. Wang Xiaoying is also the wife of Mr. Yan Yude and is therefore deemed to be interested in the Shares indirectly held by Mr. Yan Yude through Virscend Holdings Company Limited.

**(b) Substantial Shareholders' and other persons' interests and short positions in the Shares and underlying Shares**

As at the Latest Practicable Date, save as disclosed below, as far as the Directors are aware, persons (other than being a Directors or chief executive of the Company) who had or were deemed to have, interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or required to be recorded in the register kept by the Company pursuant to section 336 of the SFO, or were directly or indirectly interested in 10% or more of the issued Shares, carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Virscend Holdings Company Limited	Beneficial interest	1,292,456,045	Long Position	41.84
Bank of China Limited	Security Interest	458,876,100	Long Position	14.86
China First Capital Group Limited <sup>(1)</sup>	Security interest, interest in a controlled corporation	407,673,000	Long Position	13.20
Happy Venus Limited	Beneficial owner	178,572,129	Long Position	5.78
Ms. Yan Hongjia <sup>(2)</sup>	Interest in a controlled corporation	178,572,129	Long Position	5.78

*Notes:*

- (1) First Capital Asset Management Limited is wholly owned by First Capital Group Limited, which is in turn wholly owned by China First Capital Group Limited. Therefore, China First Capital Group Limited is deemed to be interested in 24,756,000 Shares held by First Capital Asset Management Limited. China First Capital Group Limited is also the beneficial owner of 382,917,000 Shares.
- (2) Ms. Yan Hongjia is the sole shareholder and sole director of Happy Venus Limited and she is therefore deemed to be interested in the Shares held by Happy Venus Limited.

Save for Mr. Yan Yude, an executive Director, is the sole shareholder and sole director of Virscend Holdings Company Limited, none of the Directors or proposed Directors is a director or employee of the above substantial shareholders.

**3. FURTHER INFORMATION CONCERNING DIRECTORS****A. Directors' service agreements**

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**B. Competing interests**

None of the Directors and their respective associates has any interest in any business, apart from the business of the Group, which competes or may compete with, either directly or indirectly, the business of the Group, and any other conflicts of interest which any such person has or may have with the Company pursuant to Rule 8.10 of the Listing Rules.

**C. Directors interests in assets**

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

**D. Directors interests in contracts**

There is no contract or arrangement subsisting at the Latest Practicable Date, in which any of the Directors is materially interested, that is significant in relation to the business of the Company.

**4. LITIGATION**

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2018, the date to which the latest audited financial statements of the Company were made up.

The entry into the Merger Agreement and the Asset Transfer Agreement will not have any adverse effect on the operation, liquidity and financial resources, and capital structure of the Company.

**6. QUALIFICATION OF EXPERTS AND CONSENTS**

The following is the qualification of the expert or professional adviser who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Innovax Capital Limited	a licensed corporation under the SFO carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Asia-Pacific Consulting & Appraisal Limited	independent qualified property valuer

Each of the abovenamed experts has given and confirmed that it has not withdrawn its written consents to the issue of this circular with the inclusion of its letters, report, valuation certificate, advice, opinions and/or references to its names in the form and context in which they are included.

As at the Latest Practicable Date, each of the above experts (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group; and (iii) had given and had not withdrawn its consent to the issue of this circular with the inclusion of its letter, opinions and/or reports and the reference to its name included herein in the form and context in which they respectively appear.

**7. GENERAL**

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (c) The Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.



- (d) The company secretary is Ms. Ng Sau Mei (*ACS, ACIS*).
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. at the offices of Luk & Partners in Association with Morgan, Lewis & Bockius, the legal adviser of the Company, at Suites 1902-09, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong, from the date of this circular up to the date of the EGM:

- (a) the Merger Agreement;
- (b) the Asset Transfer Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders dated 5 July 2019;
- (d) the letter from Innovax Capital Limited to the Independent Board Committee and the Independent Shareholders dated 5 July 2019;
- (e) the consent letters issued by the experts referred to in the paragraph headed "Qualification of Experts";
- (f) the Valuation Report; and
- (g) this circular.

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---



### Virscend Education Company Limited 成實外教育有限公司

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

**(Stock Code: 1565)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting of Virscend Education Company Limited (the “**Company**”) will be held at Room 105, Virscend Education Company Limited, No. 23 He Xin Lu, Pidu District, Chengdu, Sichuan Province, the PRC on 22 July 2019 at 3:00 p.m. for the following purposes:

### ORDINARY RESOLUTION

**1. “THAT:**

- (a) the merger agreement dated 14 June 2019 (the “**Merger Agreement**”) entered into among Chengdu Institute Sichuan International Studies University\* (四川外國語大學成都學院) (the “**Universtiy**”), a consolidated affiliated entity of the Company, Yanqiang Real Estate Co., Ltd.\* (嚴強房地產有限公司) (“**Yanqiang Real Estate**”) and Sichuan Derui Enterprise Development Co., Ltd.\* (四川德瑞企業發展有限公司) (“**Sichuan Derui**”), pursuant to which Yanqiang Real Estate will be merged into the University and cease to exist upon the completion of the transactions contemplated under the Merger Agreement, while Sichuan Derui as the selling shareholder will receive a cash consideration of RMB476,000,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the asset transfer agreement dated 14 June 2019 (the “**Asset Transfer Agreement**”) entered into by and between Chengdu Foreign Languages School\* (成都外國語學校) (“**Chengdu School**”) and Sichuan Derui, pursuant to which Chengdu School agrees to purchase and Sichuan Derui agrees to sell, (i) two pieces of lands of a total gross site area of approximately 51,609.83 square meters, which are situated at Yinhe East Road, Xipu Town, Pidu District, Chengdu City, Sichuan Province, the PRC\* (中國四川省成都市郫都區犀浦鎮銀河東路); (ii) four properties of a total gross floor area of 60,521.55 square meters situated at the abovementioned lands; and (iii) the relevant employment, operating assets and operating liabilities serving the abovementioned properties, for a total consideration of RMB394,300,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

- (c) any one or more directors of the Company be and are hereby authorized to do all such acts and things as they consider necessary and to sign and execute all such documents, and to take all such steps which in their opinion may be necessary, appropriate, desirable or expedient for the purpose of giving effect to the Merger Agreement, the Asset Transfer Agreement and completing the respective transactions contemplated thereunder.”

By order of the Board  
**Virscend Education Company Limited**  
**Wang Xiaoying**  
*Chairwoman*

Sichuan, the PRC, 5 July 2019

*\* for identification purpose only*

*Registered office:*

Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Corporate headquarters:*

No. 23 He Xin Lu  
Pidu District  
Chengdu  
The PRC

*Principal place of business in Hong Kong:*

31/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

*Notes:*

- (i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The proxy does not need to be a shareholder of the Company.
- (ii) Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (iii) In order to be valid, the completed form of proxy must be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong), at least 48 hours before the time appointed for holding the above meeting (i.e. before 3:00 p.m. on 20 July 2019) or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

- (iv) The register of members of the Company will be closed from Wednesday, 17 July 2019 to Monday, 22 July 2019, both days inclusive, in order to determine the eligibility of shareholders to attend the above meeting, during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 July 2019.
- (v) Pursuant to Rule 13.39(4) of the Listing Rules, voting for all the resolutions set out in this notice will be taken by poll at the above meeting.

*As at the date of this notice, the executive directors of the Company are Ms. Wang Xiaoying, Mr. Ye Jiayu, Mr. Yan Yude and Mr. Deng Bangkai; and the independent non-executive directors of the Company are Mr. Sit Chiu Wing, Mr. Chan Kim Shun and Mr. Wen Ruizheng.*