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## **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 TRANSACTION DISPOSAL OF SCHOOL SPONSOR'S INTERESTS**

#### **THE PROPOSED DISPOSAL**

The Board is pleased to announce that on 30 July 2021, Sichuan Derui, the direct holder of the Group's school sponsor's interest in the Group's consolidated affiliated entities and the Purchaser, entered into the Sale and Purchase Agreement pursuant to which Sichuan Derui agreed to sell all of its school sponsor's interests in Primary School Attached to Chengdu Foreign Languages School and its subsidiary Kindergarten of Primary School Attached to Chengdu Jinniu District Foreign Languages School for a total consideration of RMB7,500,000.

Immediately upon completion of the Proposed Disposal, Tibet Huatai, Sichuan Derui and the Registered Shareholders will enter into a supplemental agreement to the Structured Contracts, to reflect their agreement that Primary School Attached to the Chengdu Foreign Languages School and Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign Languages School shall cease to be the consolidated affiliated entities of the Group. Pursuant to the terms of the Supplemental Agreement, Sichuan Derui agreed to pay RMB7,500,000 to Tibet Huatai as consideration for Tibet Huatai to relinquish control over Primary School Attached to Chengdu Foreign Languages School and Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign Languages School.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in relation to the transactions contemplated under the Sale and Purchase Agreement are more than 5% but less than 25%, and the Proposed Disposal relates to the consolidated affiliated entities of the Group, the Company considers it appropriate to treat the Proposed Disposal as a discloseable transaction of the Company under Chapter 14 of the Listing Rules and subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As explained and disclosed in the prospectus of the Company dated 31 December 2015, the transactions contemplated under the Structured Contracts constitute continuing connected transactions of the Company and the Supplemental Agreement constitutes a material change to the terms of such transactions.

## **THE PROPOSED DISPOSAL OF SCHOOL SPONSOR'S INTERESTS**

On 30 July 2021, Sichuan Derui, the direct holder of the Group's school sponsor's interest in the Group's consolidated affiliated entities, and the Purchaser, entered into the Sale and Purchase Agreement, pursuant to which Sichuan Derui agreed to sell and the Purchaser agreed to purchase, all of the school sponsor's interests held by Sichuan Derui in Primary School Attached to Chengdu Foreign Languages School and its subsidiary Kindergarten of the Primary School attached to Chengdu Jinniu District Foreign Languages School for a total consideration of RMB7,500,000.

The principal terms of the Sale and Purchase Agreement are set out below:

### **Date:**

30 July 2021

### **Parties:**

- (1) Sichuan Derui as Seller; and
- (2) Derui Education Management as Purchaser

### **Asset to be disposed of**

The entire school sponsor's interest in Primary School Attached to Chengdu Foreign Languages School (together with its indirectly-owned subsidiary, Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign Languages School) held by Sichuan Derui.

### **Consideration**

The consideration payable by the Purchaser shall be RMB7,500,000, which shall be paid in cash by the Purchaser in two instalments. The consideration has been determined after arm's length negotiations between the parties with reference to the net assets value of Primary School Attached to Chengdu Foreign Languages School and Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign Languages School, and the type of such schools and their student enrolment numbers.

## **Conditions Precedent**

Pursuant to the Sale and Purchase Agreement, the completion of the Proposed Disposal is conditional upon the satisfaction of all of the following conditions:

- (a) the due execution of the Sale and Purchase Agreement by the parties thereto;
- (b) Sichuan Derui shall have obtained the approval of the Company and Tibet Huatai in respect of, including but not limited to, the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (c) the Seller and/or the Purchaser have completed all internal procedures and obtained all necessary approvals as required for the signing of the Sale and Purchase Agreement and the transactions contemplated thereunder.

## **Condition Subsequent**

Pursuant to the Sale and Purchase Agreement, the Seller and/or the Purchaser shall obtain all necessary consents, approvals, clearances and authorisations of any relevant regulatory authorities as required for the transactions contemplated under the Sale and Purchase Agreement. In case the said condition has not been fulfilled within 1 year from the date of the Sale and Purchase Agreement (or such other date as the Seller and/or the Purchaser may agree), the Seller shall return the Consideration already paid without any interest to the Purchaser and the Sale and Purchase Agreement shall automatically become null and void. If the Sale and Purchase Agreement becomes null and void, the Company will issue a further announcement to update the Shareholders and the potential investors of the Company.

## **Completion**

Subject to the fulfillment or written waiver of both parties of the conditions precedent in the Sale and Purchase Agreement, the parties shall use their best effort to submit the application for the change of school sponsor with the relevant education authorities and civil affairs department prior to 31 August 2021. The signing of the agreement for the change of school sponsor's interest shall be considered as the date of the completion of the Proposed Disposal.

## **SUPPLEMENTAL AGREEMENT TO THE STRUCTURED CONTRACTS**

As part of the Proposed Disposal, immediately upon completion of the Proposed Disposal, Tibet Huatai, Sichuan Derui and the Registered Shareholders will enter into a supplemental agreement to the Structured Contracts, to reflect their agreement that Primary School Attached to Chengdu Foreign Languages School and Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign

Languages School shall cease to be the consolidated affiliated entities of the Group. Pursuant to the term of the Supplemental Agreement, Sichuan Derui agreed to pay RMB7,500,000 to Tibet Huatai as consideration for the Tibet Huatai to approve, and procure the Company to approve, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the relinquishing of control over Primary School Attached to Chengdu Foreign Languages School and its subsidiary Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign Languages School by Tibet Huatai.

## **FINANCIAL EFFECT OF THE PROPOSED DISPOSAL**

Upon completion of the Proposed Disposal, Primary School Attached to Chengdu Foreign Languages School and its subsidiary Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign Languages School cease to be the consolidated affiliated entities of the Company and their financial results will no longer be consolidated into the Group's financial statements.

## **USE OF PROCEEDS**

Based on the amount of consideration of approximately RMB7,500,000, it is estimated that the Proposed Disposal will generate a gain of approximately RMB89,000 for Sichuan Derui. All of the proceeds from the Proposed Disposal, being approximately RMB89,000, will be paid to the Group. The Board currently intends to apply the majority of the proceeds from the Proposed Disposal for daily operation.

## **INFORMATION ABOUT THE PARTIES**

### **The Company and Tibet Huatai**

The Company is the holding company comprising members of the Group. Tibet Huatai is a wholly-owned subsidiary of the Company.

### **Sichuan Derui**

Sichuan Derui is a company established under the laws of the PRC, which is owned as to, among others, 69.44% by Mr. Yan, a Director and a Controlling Shareholder. Sichuan Derui is the school sponsor of Primary School Attached to Chengdu Foreign Languages School. Sichuan Derui is a connected person of the Company Rule 14A.12(1)(c) of the Listing Rules.

## **Primary School Attached to the Chengdu Foreign Languages School**

Primary School Attached to Chengdu Foreign Languages School is a private primary school established under the laws of the PRC, where the school sponsor's interest is wholly-owned by Sichuan Derui. Primary School Attached to Chengdu Foreign Languages School is a consolidated affiliated entity of the Company.

## **Kindergarten of Primary School Attached to the Chengdu Jinniu District Foreign Languages School**

Kindergarten of the Primary School Attached to Chengdu Jinniu District Foreign Languages School\* (成都市金牛區成外附小幼稚園), a private kindergarten school established under the laws of the PRC on 12 July 2007, where the school sponsor's interest is wholly-owned by the Primary School Attached to Chengdu Foreign Languages School, and a consolidated affiliated entity of the Company.

The consolidated net asset value of Primary School Attached to Chengdu Foreign Languages School and its subsidiary as at 30 June 2021 was approximately RMB7,411,000. The profit before and after taxation and extraordinary items for the years ended 31 December 2019 and 2020 were as follows:

	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
	<i>RMB' million (audited)</i>	<i>RMB' million (audited)</i>
Profit before taxation and extraordinary items	2.0	2.3
Profit after taxation and extraordinary items	1.6	2.2

## **The Purchaser**

### **Derui Education Management**

Sichuan Derui Education Management Co., Ltd.\* (四川德瑞教育管理有限公司), a company incorporated in PRC with limited liability on 19 May 2013. The Purchaser is principally engaged in education investment, education consultancy service and school logistics service. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

## REASONS FOR AND BENEFITS OF THE TRANSACTIONS

On 14 May 2021, the PRC State Council issued the Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (《中華人民共和國民辦教育促進法實施條例》) (the “**Implementation Regulations**”), which contain various provisions related to the operation of non-profit schools providing Compulsory Education. Articles 45 of the Implementation Regulations provides that, among others, a private school offering compulsory education shall not conduct any transaction with any interest related party. Where other private schools conduct any transaction with any interest related party, they shall have reasonable pricing and standardize decision-making in compliance with the principle of openness, fairness and impartiality, and shall not damage the interests of China and the school or the rights and interests of teachers and students. The Implementation Regulations will come into effect on 1 September 2021. The Company understands that there remains uncertainty surrounding the interpretation and application of the Implementation Regulations, by the time they became effective, to the provision of education services in non-profit schools providing Compulsory Education, by the Company through its consolidated affiliated entities and the Structured Contracts. Given this background, the Company decided to gradually shift its business strategy towards the provision of non-Compulsory Education services, and disposed the two schools to the Purchaser. The Board (including the independent non-executive Directors) considers that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms or better, which are fair and reasonable in the interests of the Company and its Shareholders as a whole.

## LISTING RULES IMPLICATIONS

### Sale and Purchase Agreement

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in relation to the transactions contemplated under the Sale and Purchase Agreement are more than 5% but less than 25%, and the Proposed Disposal relates to the consolidated affiliated entities of the Group, the Company considers it appropriate to treat the Proposed Disposal as a discloseable transaction of the Company under Chapter 14 of the Listing Rules and subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

## Supplemental Agreement

As explained and disclosed in the prospectus of the Company dated 31 December 2015, the transactions contemplated under the Structured Contracts constitute continuing connected transactions of the Company and the Supplemental Agreement constitutes a material change to the terms of such transactions.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Supplemental Agreement is consistent with the Group's business strategy, and therefore is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Yan, Ms. Wang and Mr. Ye Jiayu, are shareholders of Sichuan Derui, one of the parties to the Supplemental Agreement, and are therefore considered to have a material interest in the Supplemental Agreement. Mr. Yan, Ms. Wang and Mr. Ye Jiayu have abstained from voting on the resolutions in relation to the Supplemental Agreement proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the Supplemental Agreement or has abstained from voting on the board resolutions.

**As completion of the Proposed Disposal is subject to fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

<b>“Board”</b>	the board of Directors
<b>“China” or “PRC”</b>	the People's Republic of China excluding for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
<b>“Company”</b>	Virscend Education Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
<b>“Completion”</b>	completion of the Proposed Disposal
<b>“Compulsory Education”</b>	grade one to grade nine education, which all citizens in China must receive, according to the Compulsory Education Law of the PRC



<b>“Consideration”</b>	RMB7,500,000, being the consideration payable by the Purchaser to the Seller pursuant to the Sale and Purchase Agreement
<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company, its subsidiaries, its consolidated affiliated entities from time to time, and shall not include Chengdu Foreign Languages School and Kindergarten of the Primary School attached to Chengdu Jinniu District Foreign Languages School after Completion
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Independent Third Party(ies)”</b>	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
<b>“Kindergarten of Primary School Attached to Chengdu Jinniu District Foreign Languages School”</b>	Kindergarten of Primary School Attached to Chengdu Jinniu District Foreign Languages School* (成都市金牛區成外附小幼稚園), a private kindergarten school established under the laws of the PRC on 12 July 2007, where the school sponsor’s interest is wholly-owned by the Primary School Attached to Chengdu Foreign Languages School, and a consolidated affiliated entity of the Company
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Ms. Wang”</b>	Ms. Wang Xiaoying (王小英), chairwoman of the Board and an executive Director, is the spouse of Mr. Yan
<b>“Mr. Yan”</b>	Mr. Yan Yude (嚴玉德), one of the Controlling Shareholders and an executive Director



<b>“Primary School Attached to Chengdu Foreign Languages School”</b>	Primary School Attached to Chengdu Foreign Languages School * (成都外國語學校附屬小學), a private primary school established under the laws of the PRC on 29 May 2003, where the school sponsor’s interest is wholly-owned by Sichuan Derui, and a consolidated affiliated entity of the Company
<b>“Proposed Disposal”</b>	the proposed disposal of 100% school sponsor’s interest in Primary School Attached to Chengdu Foreign Languages School and its subsidiary held by Sichuan Derui pursuant to the terms of the Sale and Purchase Agreement
<b>“Purchaser”</b>	Sichuan Derui Education Management Co., Ltd.* (四川德瑞教育管理有限公司), a company incorporated in the PRC with limited liability on 19 May 2013 and being an Independent Third Party.
<b>“Registered Shareholders”</b>	the shareholders of Sichuan Derui, namely Mr. Yan, Ms. Yan Hongjia (嚴弘佳), Ms. Wang, Ms. Ye Jiaqi (葉家齊), Mr. Ye Jiayu (葉家郁), Ms. Yan Bixian (嚴碧先), Ms. Yan Birong (嚴碧蓉) and Ms. Yan Bihui (嚴碧輝)
<b>“RMB”</b>	Renminbi, the lawful currency for the time being of PRC
<b>“Sale and Purchase Agreement”</b>	the School Sponsor’s Interest Transfer Agreement dated 30 July 2021 entered into between Sichuan Derui, as the seller, and the Purchaser relating to the Proposed Disposal
<b>“Seller”</b>	Sichuan Derui, the seller in the Sale and Purchase Agreement
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company

<b>“Sichuan Derui”</b>	Sichuan Derui Enterprise Development Co., Ltd.* (四川德瑞企業發展有限公司) (previously known as Sichuan Province Derui Enterprise Development Company* (四川省德瑞企業發展總公司)), a company established under the laws of the PRC, which is owned as to, among others, 69.44% by Mr. Yan, 3.00% by Ms. Wang Xiaoying and 1.59% by Mr. Ye Jiayu
<b>“Supplemental Agreement”</b>	the supplemental agreement to the Structure Contracts dated 30 July 2021 and entered into by and among Tibet Huatai, Sichuan Derui and the Registered Shareholders
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Structured Contracts”</b>	has the meaning as defined in the prospectus of the Company dated 31 December 2015, as amended from time to time
<b>“Tibet Huatai”</b>	Tibet Huatai Education Management Consulting Co., Ltd. (西藏華泰教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC on August 22, 2015, and a wholly-owned subsidiary of our Company
<b>“%”</b>	per cent.

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

Hong Kong, 30 July 2021

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

*\* For identification purposes only*