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## **DADI EDUCATION HOLDINGS LIMITED**

**大地教育控股有限公司**

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

**(Stock code: 8417)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 51% EQUITY INTERESTS IN THE TARGET COMPANY**

#### **ACQUISITION**

Reference is made to the announcement of the Company dated 22 November 2017 in relation to the entering into a memorandum of understanding with one of the Vendors in relation to a proposed acquisition.

The Board is pleased to announce that on 9 January 2018 (after trading hours), Xinjiang Dadi Education (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which Xinjiang Dadi Education has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, 51% equity interests in the Target Company at a consideration of RMB800,000.

Immediately after the Completion, Xinjiang Dadi Education will own 51% equity interests in the Target Company which will in turn own the entire equity interests in the PRC Company which is principally engaged in providing education information technology services, and the financial results of the Target Company will be consolidated with the results of the Group.

The Directors believe that the business of the Target Company and the PRC Company with its large number of students' resources would enable the Group to expand and develop its overseas studies consultancy services business in the PRC which in turn strengthens its revenue sources and accelerate its growth and developments in the near future.

#### **GEM LISTING RULES IMPLICATIONS**

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in relation to the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

**As the Completion is subject to the fulfillment of a number of condition(s) precedent as set out in the Sale and Purchase Agreement, the Acquisition may or may not be proceeded. Shareholders and public investors should exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

Reference is made to the announcement of the Company dated 22 November 2017 in relation to the entering into a memorandum of understanding with one of the Vendors in relation to a proposed acquisition.

The Board is pleased to announce that on 9 January 2018 (after trading hours), Xinjiang Dadi Education (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which Xinjiang Dadi Education has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Equity Interest at a consideration of RMB800,000.

## THE SALE AND PURCHASE AGREEMENT

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

### Date

9 January 2018

### Parties

- Xinjiang Dadi Education, as purchaser
- The Vendors, as vendors

The Vendors are individuals who are residents of the PRC. As at the date of the Sale and Purchase Agreement, the Vendors are the legal and beneficial owners of the entire equity interests of the Target Company and the PRC Company. The following table illustrates the changes and the agreed contribution to the registered capital of the Target Company by the respective Vendors and the percentage of equity interests held in the Target Company by the respective Vendors and Xinjiang Dadi Education before and after the Completion:

Owners of equity interests	Immediately before Completion		Immediately after Completion	
	Agreed contribution in the registered capital (RMB)	% of equity interests	Agreed contribution in the registered capital (RMB)	% of equity interests
Zhang Fashu* (張發樹)	637,500	42.5%	312,375	20.825%
Zhang Pengfei* (張鵬飛)	375,000	25.0%	183,750	12.250%
Yang Zhibo* (楊志波)	225,000	15.0%	110,250	7.350%
Deng Changhua* (鄧長華)	75,000	5.0%	36,750	2.450%
Mao Shoupei* (毛壽培)	75,000	5.0%	36,750	2.450%
Cao Xiaojing* (曹曉靜)	37,500	2.5%	18,375	1.225%
Wei Bo* (魏博)	37,500	2.5%	18,375	1.225%
Zhu Haitao* (朱海濤)	37,500	2.5%	18,375	1.225%
Xinjiang Dadi Education	—	—	765,000	51.000%
Total:	<u>1,500,000</u>	<u>100%</u>	<u>1,500,000</u>	<u>100%</u>

To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, each of the Vendors and their respective associates are Independent Third Parties.

It is a condition precedent for the Acquisition that the Target Company and the PRC Company will undergo the Reorganisation whereby the Target Company will hold the entire equity interests of the PRC Company before Completion.

### **Subject matter**

Xinjiang Dadi Education has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Equity Interest free from all encumbrances. The Equity Interest represents 51% equity interests in the Target Company as at the date of the Sale and Purchase Agreement.

### **Sale Consideration**

The Sale Consideration is RMB800,000, which was determined after arm's length negotiations between Xinjiang Dadi Education and the Vendors with reference to the valuation of the equity interest of the PRC Company as of 30 November 2017 based on an asset valuation report issued on 4 January 2018 by the Valuer with the revalued net assets value of the PRC Company amounted to RMB1,156,800. According to the valuation report, the valuation adopts the asset based approach and considers the net asset value of the PRC Company as well as the intangible value of the cooperation agreements for information technology services that the PRC Company has with the 255 primary and secondary schools, 2 education institutions and 8 government education departments with approximately 1,069,250 students. The Directors consider that the Group will achieve synergies from the Acquisition and such synergy is reflected in the premium of the Sale Consideration over the valuation.

The Sale Consideration shall be payable by Xinjiang Dadi Education, of which being as to RMB765,000 being the capital contribution payable to Target Company in cash for Xinjiang Dadi Education's entitlement of 51% of the registered capital of the Target Company after Completion and the balance of RMB35,000 being the synergies payable to the Vendors in cash in proportion to the Equity Interest to be transferred by each of the Vendors to Xinjiang Dadi Education in accordance with the terms and conditions of the Sale and Purchase Agreement. The Sale Consideration will be funded by internal resources of the Company.

### **Conditions precedent**

The Completion shall be conditional upon the satisfaction of each of the following conditions precedent:

- (A) Consent and approval: The Vendors and Xinjiang Dadi Education have obtained all necessary consents and approvals (if any) relating to the sale and purchase of the Equity Interest, including all authorisations and approvals by the controlling shareholder(s) of Xinjiang Dadi Education, the relevant government or regulatory agencies including but not limited to the Stock Exchange, any applicable authority or organisation or any other third party (including banks);

- (B) Warranties: The warranties given by the Vendors under the Sale and Purchase Agreement remain true and accurate in all material respects and that there is no material breach of the said warranties or there is no facts or circumstances that constitute or may constitute a breach of the said warranties or any of the Vendors' obligation(s) under the Sale and Purchase Agreement;
- (C) Due diligence: the results of the due diligence review conducted pursuant to the terms of Sale and Purchase Agreement are satisfactory to Xinjiang Dadi Education and the Purchaser has the absolute discretion to decide whether it is satisfied with the outcome of such review;
- (D) Reorganisation: The Target Company and the PRC Company have completed the Reorganisation and the relevant registration procedures and alteration of the shareholding and corporate structure of the Target Company and the PRC Company have been completed in the AIC and/or the relevant authorities or institutions, and written evidence of completion of the Reorganisation and the registration procedures have been provided to the satisfaction of Xinjiang Dadi Education;
- (E) Legal opinion: A legal opinion issued by the PRC lawyers for the transactions under the Sale and Purchase Agreement that is satisfied and accepted by Xinjiang Dadi Education, including but not limited to the legality and validity of the Target Company and the PRC Company's organisation, structure, existence, registered capital, shareholders' equity, business, tax and all other relevant issues;
- (F) Shareholders' agreement: Xinjiang Dadi Education and the Vendors have agreed on the terms of the shareholders' agreement to be entered into between them upon Completion;
- (G) Capital increase and change of registered capital: The procedure for the increase in the registered capital of the PRC Company from RMB1.5 million to RMB3.21 million is completed and the change of the registered capital has been registered with the relevant authorities (as evidenced by the receipt of the new business license of the PRC Company), and written evidence of completion of the change of the registered capital of the PRC Company has been provided to the satisfaction of Xinjiang Dadi Education;
- (H) Audit Account: The audit of the PRC Company for the financial year ended 31 December 2017 (including the balance sheet and all of its notes) has been completed and the audit account has been provided to Xinjiang Dadi Education; and
- (I) All loans and other debts (if any) due from the Target Company and the PRC Company to their shareholders and directors have been fully settled or wholly and unconditionally waived by the shareholders and directors with written documentary evidence provided to Xinjiang Dadi Education to its satisfaction.

Xinjiang Dadi Education may in its sole and absolute discretion waive any of the above conditions in writing save and except conditions (A) and (D) which shall not be waived.

## **Completion**

Completion shall take place on the seventh (7th) Business Day after the Vendors' receipt of Xinjiang Dadi Education's written confirmation of its satisfaction (or waiver, as the case may be) of the conditions precedent stated above on or before the Long Stop Date or such other date as the Parties may at any time and from time to time agree in writing.

The Vendors shall, within ten (10) Business Days upon Completion, perform various post-Completion obligations (the "**Completion Obligations**"), which include, among other obligations, transfer the Equity Interest and the management rights of the Target Company and the PRC Company to Xinjiang Dadi Education or its nominee(s), and the Parties shall jointly attend the procedures for registration in AIC and/or the relevant authorities or institutions of the transfer of the Equity Interest to Xinjiang Dadi Education and appointment of the management personnel as designated by Xinjiang Dadi Education.

After the Vendors have fulfilled all of the obligations for the Completion and the Completion Obligations under the Sale and Purchase Agreement, Xinjiang Dadi Education agrees to pay the Sale Consideration to the Vendors in accordance with the Sale and Purchase Agreement.

Immediately after Completion, Xinjiang Dadi Education will own 51% equity interests in the Target Company which will in turn own the entire equity interests in the PRC Company, and the financial results of the Target Company will be consolidated with the results of the Group.

## **Principal business activities of the Target Company and the PRC Company**

The Target Company is a company with limited liability established in the PRC and its scope of business includes information technology service. Upon Completion, the Target Company will own the entire equity interests in the PRC Company. Other than the holding of the entire equity interests of the PRC Company, the Target Company will not have any other material asset.

The PRC Company is a company with limited liability established in the PRC and is principally engaged in providing education information technology services. The PRC Company has been engaging in development of education information technology system software, selling and licensing of the system software and providing information technology services to primary and secondary schools in the PRC for teaching diagnosis and monitoring the quality of teaching and students.

For the financial year ended 31 December 2015, the unaudited net loss of the PRC Company (both before and after taxation) was RMB1,154,585.93.

For the financial year ended 31 December 2016, the audited net profit of the PRC Company (both before and after taxation) was RMB637,772.24.

Based on the unaudited management accounts of the PRC Company for the 11 months ended 30 November 2017, the unaudited net loss of the PRC Company (both before and after taxation) was RMB70,862.15. The unaudited net liabilities of the PRC Company as at 30 November 2017 was approximately RMB414,424.69.

## REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in the provision of overseas studies consultancy services to students in Hong Kong. The Company is desirous of further developing the business of the Group and expanding its overseas studies consultancy services business in the PRC. The Company believes that the principal business of the Target Company and the PRC Company with its large number of students' resources would enable the Group to expand and develop its overseas studies consultancy services business in the PRC which in turn strengthens its revenue sources and accelerate its growth and developments in the near future.

Accordingly, the Board believes that the Acquisition can enhance the Group's overall competitiveness and can leverage the Group's student base in the provision of the overseas studies consultancy services, which would be beneficial and in the interest of the Company.

After considering the above factors, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## GEM LISTING RULES IMPLICATION

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in relation to the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules.

**As the Completion is subject to the fulfillment of a number of condition(s) precedent as set out in the Sale and Purchase Agreement, the Acquisition may or may not be proceeded. Shareholders and public investors should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Equity Interest by Xinjiang Dadi Education pursuant to the Sale and Purchase Agreement
“AIC”	State Administration for Industry and Commerce of the PRC
“Board”	the board of Directors of the Company
“Business Day”	a day on which the commercial banks in Beijing, the PRC are generally open for business
“Company”	Dadi Education Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8417)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement



“Director(s)”	the director(s) of the Company
“Equity Interest”	51% equity interests in the Target Company and owned by the Vendors as at the date of this announcement
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected person(s) (as defined in the GEM Listing Rules) of the Company and any of its subsidiaries and is/are independent of the Company or its connected person(s) (as defined in the GEM Listing Rules)
“Long Stop Date”	9 July 2018 or such other date as may be agreed by the Parties in writing
“Party(ies)”	Party(ies) to the Sale and Purchase Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan region
“PRC Company”	Beijing Do-Mega Education Tech Co., Ltd.* (北京達美嘉教育科技有限公司), a company established in the PRC with limited liability on 15 June 2012 and is owned as to 42.5% by Zhang Fashu* (張發樹), 25% by Zhang Pengfei* (張鵬飛), 15% by Yang Zhibo* (楊志波), 5% by Deng Changhua* (鄧長華), 5% by Mao Shoupei* (毛壽培), 2.5% by Cao Xiaojing* (曹曉靜), 2.5% by Wei Bo* (魏博) and 2.5% by Zhu Haitao* (朱海濤) as at the date of the Sale and Purchase Agreement and the entire equity interests of which will be owned by the Target Company on completion of the Reorganisation
“Reorganisation”	the reorganisation of the Target Company and the PRC Company whereby the Target Company will hold the entire equity interests of the PRC Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 January 2018 and entered into between the Vendors and Xinjiang Dadi Education in relation to the Acquisition

“Sale Consideration”	the sum of RMB800,000, being the consideration for the Equity Interest pursuant to the Sale and Purchase Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Khorgos Do-Mega Education Tech Co., Ltd.* (霍爾果斯達美嘉教育科技有限公司), a company established in PRC with limited liability on 18 November 2017 and is owned as to 42.5% by Zhang Fashu* (張發樹), 25% by Zhang Pengfei* (張鵬飛), 15% by Yang Zhibo* (楊志波), 5% by Deng Changhua* (鄧長華), 5% by Mao Shoupei* (毛壽培), 2.5% by Cao Xiaojing* (曹曉靜), 2.5% by Wei Bo* (魏博) and 2.5% by Zhu Haitao* (朱海濤) as at the date of the Sale and Purchase Agreement
“Valuer”	Beijing Pingdong Asset Valuation Co., Ltd.* (北京萍東資產評估有限公司), an appraisal firm which is an Independent Third Party
“Vendors”	Zhang Fashu* (張發樹), Zhang Pengfei* (張鵬飛), Yang Zhibo* (楊志波), Deng Changhua* (鄧長華), Mao Shoupei* (毛壽培), Cao Xiaojing* (曹曉靜), Wei Bo* (魏博) and Zhu Haitao* (朱海濤)
“Xinjiang Dadi Education”	Xinjiang Dadi Education Consultancy Limited* (新疆大地教育諮詢有限公司), an indirect wholly-owned subsidiary of the Company and a wholly foreign-owned enterprise incorporated in Xinjiang Uyghur Autonomous Region, the PRC on 12 October 2017
“%”	Per cent

By order of the Board  
**Dadi Education Holdings Limited**  
**Chung Wang Lung**  
*Chairman and Executive Director*

Hong Kong, 9 January 2018

*As at the date of this announcement, the executive Directors are Mr. Chung Wang Lung, Mr. Mok Patrick and Ms. So Pik Sau, the non-executive Director is Ms. Feng Wanning and the independent non-executive Directors are Mr. Wong Tak Chun, Ms. Chung Wai Nar and Mr. Tsang Chi Fung.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.*

\* *The English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*