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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 AND CONNECTED TRANSACTIONS —
DISPOSAL OF 51% EQUITY INTERESTS OF
AN INDIRECT NON-WHOLLY OWNED SUBSIDIARY**

THE DISPOSAL

The Board wishes to announce that on 19 September 2019 (after trading hours), Xinjiang Dadi Education, an indirect wholly-owned subsidiary of the Company, as the vendor and the Purchaser as the purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Equity Interests of the Disposal Company at a cash consideration of RMB800,000.

The Disposal Company was beneficially owned as to 51% by Xinjiang Dadi Education immediately prior to Completion. Completion has taken place immediately after the signing of the Sale and Purchase Agreement and the Disposal Group ceased to be subsidiaries of the Company since then.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement and prior to Completion, the Equity Interests were held as to 51% by Xinjiang Dadi and as to 20.825% by the Purchaser, and that the Purchaser is the executive director, the general manager and the legal representative of the Disposal Group, the Purchaser is therefore a connected person at the subsidiary level. The Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.99 of the GEM Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transactions; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Sale and Purchase Agreement and the Disposal, and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable, and that the Disposal as contemplated under the Sale and Purchase Agreement is on normal commercial terms or better, and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 20.99 of the GEM Listing Rules, the Sale and Purchase Agreement and the Disposal are only subject to reporting and announcement requirements, and are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Board is pleased to announce that on 19 September 2019 (after trading hours), Xinjiang Dadi Education, an indirect wholly-owned subsidiary of the Company, as the vendor and the Purchaser as the purchaser entered into the Sale and Purchase Agreement, pursuant to which Xinjiang Dadi Education agreed to sell, and the Purchaser agreed to acquire, the Equity Interests (representing the beneficial interests of 51% of the entire equity interests in the Disposal Company) at the Consideration of RMB800,000. Following Completion, the Disposal Group ceased to be subsidiary of the Company.

THE SALE AND PURCHASE AGREEMENT

The particulars of the Sale and Purchase Agreement are as follows:

Date

19 September 2019

Parties

Vendor: Xinjiang Dadi Education Consultancy Limited* (新疆大地教育諮詢有限公司)

Purchaser: Zhang Fashu* (張發樹)

Immediately prior to Completion, Xinjiang Dadi Education is the beneficial owner of 51% equity interests of the Disposal Company which wholly holds the PRC Company.

The Disposal Company was an indirect non-wholly owned subsidiary of the Company which was owned as to 51% by Xinjiang Dadi Education, as to 20.825% by the Purchaser and as to the remaining 28.175% by seven Minorities Shareholders. The Purchaser is the executive

director, the general manager and the legal representative of the Disposal Company as well as the PRC Company, and is therefore a connected person of the Company at the subsidiary level. All the Minorities Shareholders are Independent Third Parties, according to the best of the information, knowledge and belief of the Directors.

The following table illustrates the changes and the agreed contribution of the registered capital of the Disposal Company and the percentage of equity interests held by Xinjiang Dadi Education and the Purchaser immediately 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 |
| Xinjiang Dadi Education | 765,000 | 51% | — | — |
| the Purchaser | 312,375 | 20.825% | 1,077,375 | 71.825% |
| Zhang Pengfei* (張鵬飛) | 183,750 | 12.25% | 183,750 | 12.25% |
| Yang Zhibo* (楊志波) | 110,250 | 7.35% | 110,250 | 7.35% |
| Deng Changhua* (鄧長華) | 36,750 | 2.45% | 36,750 | 2.45% |
| Mao Shoupei* (毛壽培) | 36,750 | 2.45% | 36,750 | 2.45% |
| Cao Xiaojing* (曹曉靜) | 18,375 | 1.225% | 18,375 | 1.225% |
| Wei Bo* (魏博) | 18,375 | 1.225% | 18,375 | 1.225% |
| Zhu Haitao* (朱海濤) | 18,375 | 1.225% | 18,375 | 1.225% |
| Total: | <u>1,500,000</u> | <u>100%</u> | <u>1,500,000</u> | <u>100%</u> |

Subject matter of the Disposal

Pursuant to the terms and conditions of the Sale and Purchase Agreement, Xinjiang Dadi Education as the vendor agreed to sell, and the Purchaser as the purchaser agreed to acquire, the Equity Interests free from all encumbrances.

Consideration for the Disposal and Payment Term

The Consideration for the Disposal is RMB800,000, which was determined after arm's length negotiations between Xinjiang Dadi Education and the Purchaser with reference to the valuation of the equity interests of the PRC Company (being the only operating subsidiaries of the Disposal Group) as of 30 June 2019 with reference to a valuation report issued on 13 August 2019 by the Valuer who assessed the revalued net assets value of the PRC Company amounted to RMB1,608,000.

According to the valuation report, the valuation adopts the asset based approach and considers the net asset value of the PRC Company (including the intangible value of the cooperation agreements for information technology services that the PRC Company has with the 291 primary and secondary schools, 3 education institutions and 11 government education departments with number of students approximately 1.18 million) amounted to a negative net asset value of approximately RMB3.5 million.

The Consideration shall be payable by the Purchaser, of which as to RMB765,000 shall be payable to the Disposal Company in cash for satisfaction of Xinjiang Dadi Education's liabilities of 51% of the registered capital of the Disposal Company under the Acquisition Agreement and as to the balance of RMB35,000 shall be payable by the Purchaser for Xinjiang Dadi Education in satisfaction of Xinjiang Dadi Education's liabilities to the Purchaser and the Minority Shareholders pursuant to the Acquisition Agreement in the proportion as to RMB14,875 to the Purchaser himself, as to RMB875 to Cao Xiaojing, as to RMB1,750 to Deng Changhua, as to RMB8,750 to Zhang Pengfei, as to RMB875 to Weibo, as to RMB5,250 to Yang Zhibo, as to RMB1,750 to Mao Shoupei and as to the remaining of RMB875 to Zhu Haitao.

Completion

Completion has taken place immediately after the signing of the Sale and Purchase Agreement. Upon Completion, the Disposal Group ceased to be subsidiaries of the Company, and the Company no longer has any control over the management rights and financial documents and record of the Disposal Group.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Company is a company established in the PRC in November 2017 and is principally engaged in information technology services. As at the date of the Sale and Purchase Agreement, the Disposal Company holds the entire equity interests in the PRC Company and the PRC Company is the only operating subsidiary of the Disposal Company.

The PRC Company is a company which was established in June 2012. It principally engaged in 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.

Certain financial information of the Disposal Group for the two years ended 31 December 2018 and the 3 months ended 31 March 2019 are as follows:

| | For the year ended 31 December 2017 | For the year ended 31 December 2018 | For the 3 months ended 31 March 2019 |
|-----------------------------------|--|--|---|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(approximately)</i> | <i>(approximately)</i> | <i>(approximately)</i> |
| | (audited) | (unaudited) | (unaudited) |
| Revenue | 2,792 | 1,832 | 71 |
| Net profit/(loss) before taxation | (115) | (1,841) | (577) |
| Net profit/(loss) after taxation | (115) | (1,803) | (577) |

INFORMATION OF THE GROUP AND THE VENDOR

The Group engages in the principal business of provision of overseas studies consultancy services to students in Hong Kong. Xinjiang Dadi Education is an indirect wholly-owned subsidiary of the Company and is principally engaged in overseas studies consultancy services to students in the PRC who are seeking overseas studies and the training related to the provision of such overseas studies.

REASONS FOR AND BENEFITS OF THE DISPOSAL

References are made to the announcements of the Company dated 9 January 2018, 10 April 2018, 14 November 2018, 14 February 2019 and 21 June 2019 (collectively, the “**Announcements**”).

As disclosed in the Announcements, upon the completion of the Acquisition on 10 April 2018, the Purchaser and the Minority Shareholders were required to perform various post-completion obligations (the “**Post Completion Obligations**”), which include, among others, attend the procedures for registration in the State Administration for Industry and Commerce of the PRC and/or the relevant authorities or institutions for the transfer of the 51% equity interests to Xinjiang Dadi Education and the appointment of management personnel as designated by Xinjiang Dadi Education within ten Business Days from the completion of the Acquisition. The applications for registration of the transfer and the appointment could not be processed due to a change in the requirement(s) for registration of Khorgos City Market Supervision Administration Bureau* (霍爾果斯市市場監督管理局) of Xinjiang, the PRC, the PRC authority in Khorgos City relevant for the registration. Notwithstanding the time for performing the Post Completion Obligations has been extended to 180 Business Days from the completion of the Acquisition pursuant to the Supplemental Agreement, the registrations for transfer and the appointment still could not be processed on the expiration of the time extension, being 28 December 2018. Despite the management rights and financial documents and records of the Disposal Company had been under control of Xinjiang Dadi Education since May 2018, the transfer and the appointment of Xinjiang Dadi Education in the Disposal Company could not be processed and formally registered in the Khorgos City Market Supervision Administration Bureau as of the date before the Completion Date. Due to the frustration in performing the Post Completion Obligations as

required under the Acquisition Agreement, it is fair and reasonable for Xinjiang Dadi Education to sell the Equity Interests to the Purchaser who was the majority shareholder of the Disposal Group before the Acquisition.

Further, the financial performance of the Disposal Group was unsatisfactory and the consolidation of the financial statements of the Disposal Group into the Group directly affected the financial results of the Group for the year ended 31 March 2019. Hence, the Disposal at the Consideration equivalent to the original amount of the Acquisition may improve the financial condition of the Group and will increase the financial flexibility of the Group which would in turn enhance the Group's capability in seizing future development and investment opportunities.

The Directors (including the independent non-executive Directors) considered the reasons for and the benefit for the Disposal. They are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable which were determined after arm's length negotiations and the Disposal is in the interest of the Company and the Shareholders as a whole.

The Group will continue to seek business and investment opportunities with a view to provide growth potential to the Group and bring high returns to the Shareholders.

GEM LISTING RULES IMPLICATION

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules) in relation to the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. As at the date of this announcement and prior to Completion, the Equity Interests were held as to 51% by Xinjiang Dadi and as to 20.825% by the Purchaser, and that the Purchaser is the executive director, the general manager and the legal representative of the Disposal Group, the Purchaser is therefore a connected person at the subsidiary level. The Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.99 of the GEM Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transactions; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Sale and Purchase Agreement and the Disposal, and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable, and that the Disposal as contemplated under the Sale and Purchase Agreement is on normal commercial terms or better, and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 20.99 of the GEM Listing Rules, the Sale and Purchase Agreement and the Disposal are only

subject to reporting and announcement requirements, and are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

| | |
|-------------------------|---|
| “Acquisition” | the acquisition of the 51% equity interests by Xinjiang Dadi Education under the Acquisition Agreement |
| “Acquisition Agreement” | the sale and purchase agreement dated 9 January 2018 and entered into among Xinjiang Dadi Education as the purchaser, and the Purchaser and the Minority Shareholders as the vendors in relation to the acquisition of 51% equity interests in the Disposal Company (which has been subsequently varied and supplemented by the Supplemental Agreement) |
| “Board” | The board of Directors |
| “Business Day” | a day on which the commercial banks in Beijing, the PRC are generally opened for business |
| “Company” | Dadi Education Holdings Limited (大地教育控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM of The Stock Exchange (Stock Code: 8417) |
| “Completion” | completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement |
| “Completion Date” | the date of which Completion takes place |
| “Consideration” | the consideration for the Disposal pursuant to the Sale and Purchase Agreement |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of the Equity Interests by Xinjiang Dadi Education pursuant to the Sale and Purchase Agreement |

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|---------------------------|---|
| “Disposal 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 incorporated in PRC with limited liability on 18 November 2017 and was owned as to 51% by Xinjiang Dadi Education, 20.825% by the Purchaser, 1.225% by Cao Xiaojing* (曹曉靜), 2.45% by Deng Changhua* (鄧長華), 12.25% by Zhang Pengfei* (張鵬飛), 1.225% by Wei Bo* (魏博), 7.35% by Yang Zhibo* (楊志波), 2.45% by Mao Shoupei* (毛壽培), 1.225% by Zhu Haitao* (朱海濤), immediately before Completion |
| “Disposal Group” | comprising the Disposal Company and the PRC Company |
| “Equity Interests” | 51% of the entire equity interests in the Disposal Company which are beneficially owned by Xinjiang Dadi Education immediately before Completion |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on the GEM 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” | Independent third party(ies) who 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) |
| “Minority Shareholders” | Cao Xiaojing* (曹曉靜), Deng Changhua* (鄧長華), Zhang Pengfei* (張鵬飛), Wei Bo* (魏博), Yang Zhi Bo* (楊志波), Mao Shoupei* (毛壽培) and Zhu Haitao* (朱海濤) |
| “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 incorporated in PRC with limited liability on 15 June 2012 and the entire equity of which is owned by the Disposal Company |
| “Purchaser” | Zhang Fashu* (張發樹) |
| “RMB” | Renminbi, the lawful currency in PRC |

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|-------------------------------|---|
| “Shareholders” | Shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 19 September 2019 and entered into between Xinjiang Dadi Education as the vendor and the Purchaser as the purchaser in relation to the Disposal |
| “Supplemental Agreement” | the Supplemental agreement dated 28 May 2018 entered into among Xinjiang Dadi Education as the purchaser, and the Purchaser and the Minority Shareholders as the vendors, under which the date of the Purchaser and the Minority Shareholders for performing the Completion Obligations under the Acquisition Agreement be extended to 180 Business Days after the completion of the Acquisition on 10 April 2018 |
| “Valuer” | Beijing Zhongqin Yongli Asset Valuation Company Limited* (北京中勤永勵資產評估有限責任公司), an appraisal firm which is an Independent Third Party |
| “Vendor” | Xinjiang Dadi Education |
| “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, 19 September 2019

* *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.*

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 Mr. Liu Chenyu 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.