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## CHINA YUHUA EDUCATION CORPORATION LIMITED

### 中国宇华教育集团有限公司

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

**(Stock Code: 6169 and Debt Stock Code: 40109)**

## DISCLOSEABLE TRANSACTION — DISPOSAL OF A SUBSIDIARY

### THE DISPOSAL

The Board announces that on 27 December 2024, the Seller (being a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser, pursuant to which the Seller has agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 100% equity interest in the Target Company for a total consideration of HK\$240.0 million. The sale proceeds are intended to facilitate the repayment of the convertible bonds due 2024 issued by the Group.

### IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

### THE DISPOSAL

The Board announces that on 27 December 2024, the Seller (being a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser, pursuant to which the Seller has agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 100% equity interest in the Target Company for a total consideration of HK\$240.0 million (the “**Consideration**”).

## **THE DISPOSAL AGREEMENT**

The principal terms of the Disposal Agreement are summarised below:

### **Date**

27 December 2024

### **Parties**

Seller: China YuHua Education Investment Limited

Purchaser: Mr. Xin Yu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

### **Assets Disposed**

Pursuant to the Disposal Agreement, the Seller has agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, which are comprised of the Target Sale Shares and the Subsidiary Sale Shares. The Target Sale Shares represent all of the issued and outstanding ordinary shares of the Target Company, which in turn owns approximately 92.875% of the issued and outstanding share capital of the Subsidiary. The Subsidiary Sale Shares represent approximately 7.125% of the issued and outstanding share capital of the Subsidiary. The principal asset of which is a university that offers international and Thai undergraduate and graduate degree programs in Thailand.

### **Consideration**

The Consideration in the aggregate amount of approximately HK\$240.0 million shall be settled by the Purchaser in the following manner:

- (i) a deposit of HK\$50.0 million shall be paid by the Purchaser in cash to the Seller within five business days after the signing of the Disposal Agreement, which shall form part of the payment on Completion Date (as defined below);
- (ii) on Completion Date, the Purchaser shall pay an additional sum of HK\$144.0 million; and

- (iii) the remaining sum of HK\$46.0 million of the Consideration shall be paid by the Purchaser within 10 business days after the relevant Thai government authorities have approved the appointment of four individuals as director of the university under the Target Group by the Purchaser.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser with reference to, and taking into account of, (i) the valuation conducted by the Independent Valuer on 20 December 2024 in consideration of various material factors relating to the university operated by the Target Group, including the track record, geographical locations, rankings, number of students, course offerings and tuition fee levels of the Target Group; (ii) the outstanding debts of the Target Group, including shareholder loans and other intra-group payables assigned by the Seller to the Purchaser pursuant to the Disposal Agreement; and (iii) consideration of the comparable and precedent market transactions in the education industry.

The Target Company was valued at approximately HKD220.617 million as at 31 August 2024 based on the preliminary valuation results of the Independent Valuer. In valuing the Target Company, the Independent Valuer applied the market approach and the market approach was selected is because there are substantial limitations for the income approach and the cost approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In reaching the valuation results, key factors which have been taken into account by the Independent Valuer include (among other matters):

- (i) the financial status of the Target Group, including its last twelve months revenue and earnings before interests, taxes, depreciation and amortization (“**EBITDA**”) as at 31 August 2024;
- (ii) the enterprise value-to-earnings before interests, taxes, depreciation and amortization (“**EV/EBITDA**”) market multiple of 22.585 derived from the average level of the selected five listed comparable companies in higher education and related services industry and share the similarity in terms of revenue scale and profitability with the Target Company;
- (iii) the discount for lack of marketability of 21.1% derived using the put option model;
- (iv) the control premium of 42.6% sourced from the Control Premium Study published by FactSet Mergerstat, which is a widely accepted sources among valuers; and

- (v) other general considerations including the micro and macro economy affecting the businesses in which the Target Company operates, and other operational and market information relating to such businesses.

Taking into consideration the above factors, the Directors are of the view that the Consideration set for the Disposal is fair and reasonable.

### **Conditions Precedent**

Completion of the Disposal is conditional upon the satisfaction of, among others, the following conditions:

- (i) no breach of representations, warranties and undertakings by the Seller;
- (ii) no material adverse effect on the Target Group from the date of the Disposal Agreement to the Completion Date;
- (iii) no court judgment, governmental authority ruling or legal provision that restricts, prohibits, delays or otherwise prevents or seeks to prevent the completion of the Disposal or finds the Disposal to be unlawful;
- (iv) both the Seller and the Purchaser having completed all necessary internal procedures to approve the Disposal; and
- (v) the Seller having procured the execution of a new shareholders agreement of the Target Group.

### **Completion**

Completion of the Acquisition shall take place within five business days upon satisfaction of the conditions precedent or another date to be agreed between the Parties (the “**Completion Date**”).

## **INFORMATION ABOUT THE PARTIES**

### **The Seller**

The Seller is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. The Company is a private school operator that provides education from kindergarten to university.

## **The Purchaser**

Mr. Xin Yu is a PRC resident. To the best of each of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons.

## **The Target Group**

The Target Company is a private company limited by shares incorporated in Thailand. The Target Sale Shares represent all of the issued and outstanding ordinary shares of the Target Company.

The Subsidiary is the license holder of a university that offers international and Thai undergraduate and graduate degree programs with two campuses in Thailand, including: business and management, communication, hospitality management and information technology. Its programs, curricula and degrees are fully accredited by the Ministry of Education and the Ministry of University Affairs of Thailand. It is included on the Ministry of University Affairs' list of accredited private universities of Thailand.

Based on the management accounts of the Target Group, the following is a summary of the consolidated financial information of the Target Group for the financial year ended 31 August 2023 and 31 August 2024. The financial information of the Target Group was prepared in accordance with IFRS.

|  | <b>For the year<br/>ended<br/>31 August<br/>2023<br/>(unaudited)<br/>THB'000</b> | <b>For the year<br/>ended<br/>31 August<br/>2024<br/>(unaudited)<br/>THB'000</b> |
|--|--|--|
| Net profit before taxation and extraordinary items | 104,668  | 31,665   |
| Net profit after taxation and extraordinary items  | (64,160)   | 31,665   |

As of 31 August 2024, the asset value of the Target Group amounted to approximately THB1,146 million (equivalent to approximately HK\$263 million).

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Company believes that the Disposal will enhance the cash flow of the Company and can facilitate the restructuring and repayment of its convertible bonds due 2024.

Based on the above, the Directors consider that the terms of the Disposal Agreement are on normal commercial terms and the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS**

Subject to further audit procedures to be performed by the auditor of the Company, the Group is expected to record a profit from the Disposal of approximately RMB120 million, which is estimated based on the Consideration of HK\$240.0 million less the net amount of the unaudited net asset value of the Target Company as at 31 August 2024 of approximately RMB98 million. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditor of the Company.

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements with reference to, among other things, the actual expenses and taxation associated with the Disposal, and is subject to audit.

Upon Completion, the Target Group will cease to be a subsidiary of the Company and the financial results, assets and liabilities of the Target Group will no longer be included in the consolidated financial statements of the Group.

The sales proceeds are intended to facilitate the repayment of the convertible bonds due 2024 issued by the Group.

## **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

|                       |   |
|-----------------------|---|
| “Board”               | the board of directors of the Company   |
| “China” or “PRC”      | the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Company”             | China YuHua Education Corporation Limited (中国宇华教育集团有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 25 April 2016                            |
| “Completion”          | completion of the Disposal  |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules  |
| “Directors”           | the director(s) of the Company from time to time  |
| “Disposal”            | the disposal of the Sale Shares by the Seller pursuant to the terms and conditions of the Disposal Agreement  |
| “Disposal Agreement”  | the share purchase agreement dated 27 December 2024 entered into by the Seller and the Purchaser in respect of the Disposal   |
| “Group”               | the Company, its subsidiaries and the consolidated affiliated entities from time to time  |
| “HK\$”                | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”           | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “IFRS”                | International Financial Reporting Standards   |
| “Independent Valuer”  | Asia-Pacific Consulting and Appraisal Limited   |

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|--------------------------|--|
| “Listing Rules”          | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited                       |
| “Purchaser”              | Mr. Xin Yu, a PRC resident   |
| “RMB”                    | Renminbi, the lawful currency of the PRC   |
| “Sale Shares”            | the Target Sale Shares and the Subsidiary Sale Shares  |
| “Seller”                 | China YuHua Education Investment Limited   |
| “Shareholders”           | holder(s) of the Company’s ordinary share(s)   |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited  |
| “Subsidiary”             | Fareast Stamford International Co., Ltd., a private company limited by shares incorporated in Thailand         |
| “Subsidiary Sale Shares” | 285,001 ordinary shares in the issued and outstanding share capital of the Subsidiary                          |
| “Target Company”         | Thai Education Holdings Co., Ltd., a private company limited by shares incorporated under the laws of Thailand |
| “Target Group”           | the Target Company, the Subsidiary and the university operated by the Subsidiary                               |
| “Target Sale Shares”     | 15,907 ordinary shares in the issued and outstanding share capital of the Target Company                       |
| “Thailand”               | the Kingdom of Thailand  |
| “Thai Baht” or “THB”     | Thai Baht, the lawful currency of Thailand   |
| “%”                      | per cent.  |



**The Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**China YuHua Education Corporation Limited**  
**Li Guangyu**  
*Chairman and Executive Director*

Hong Kong, 27 December 2024

*As at the date of this announcement, the Board comprises Mr. Li Guangyu, Ms. Li Hua and Ms. Qiu Hongjun as executive Directors; and Mr. Chen Lei, Mr. Zhang Zhixue and Ms. Fan Nannan as independent non-executive Directors.*

*In this announcement, conversion of THB into HK\$ is based on the exchange rate of THB1,000 to HK\$229.73 and conversion of RMB into HK\$ is based on an exchange rate of HK\$0.91 to RMB1.00. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in THB, RMB or HK\$ were or may have been exchanged at this or any other rates or at all.*

*Trading in the shares of the Company (Stock Code: 6169) and the debt securities of the Company (Debt Securities Stock Code: 40109) on the Stock Exchange has been suspended since 9:00 a.m. on 2 December 2024 due to the delay in publication of the annual results of the Group for the year ended 31 August 2024 and will remain suspended until the publication of the 2024 Annual Results. Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.*