

**VIRSCEND EDUCATION COMPANY LTD:  
WHAT CAUSED THIS COMPANY TO GO PUBLIC ?**

Suffering the highest Gearing Ratio in its 15-year history, Virscend Education Company Ltd () (Code: 1565, Main Board, The Stock Exchange of Hongkong Ltd) pitched a Global Offering of 750 million, one-cent shares at the Indicative Offer Price Per Share, ranging from a low of \$HK2.18 to a high of \$HK2.92.

(A Gearing Ratio is calculated by dividing total debt by the total number of Issued and Fully Paid-Up Shares.)

As at June 30, 2015, the Gearing Ratio of this Company, whose only business is operating schools in one province of the People's Republic of China (PRC), stood at 247 percent, a figure that was about 25 percent higher than the Gearing Ratio just six months earlier (December 31, 2014).

It was hardly any wonder, therefore, that a material amount of the money, raised in this **Initial Public Offering (IPO)**, went straight into the coffers of the Company's lending banks, obviously in order to reduce the Company's Gearing Ratio.

Virscend Education published and disseminated its Global Offering Prospectus on December 31, 2015.

Of the total number of shares on Offer, investors of the Hongkong Special Administrative Region (HKSAR) of the PRC were Offered 75 million Shares, with the remaining 675 million Shares, being labelled as '*International Placing Shares*'.

On Thursday, January 14, 2016, Management of Virscend Education announced that the Offer Price Per Share had been struck at \$HK2.40 and that it was estimated that, after all costs, associated with the Listing on the premier equity market of the HKSAR, would be \$HK1,724,300,000.

Trading in the shares of this Company commenced last Friday.

The net proceeds of this IPO will be utilised as to:

1. \$HK832,836,900, representing 48.30 percent, to '*(i) enter into cooperative arrangements with Independent Third Parties to jointly establish new schools in China and overseas, and (ii) purchase the relevant land use rights to develop new schools, or acquire existing schools from Independent Third Parties.*';
2. \$HK391,416,100, representing 22.70 percent, '*to be used for repayment of existing short-term bank borrowings*'. The PRC banks that will be the recipients of material sums of money from this IPO are:

Bank of DaLian Company Ltd

() 113 million renminbi

China Merchants Bank Company Ltd

() (Code: 3968, Main Board,  
The Stock Exchange of Hongkong Ltd)

Industrial and Commercial Bank of China Ltd

80 million renminbi

() (Code: 1398, Main Board,  
The Stock Exchange of Hongkong Ltd) 75 million renminbi  
Guangdong Financial Trust Company Ltd  
()  
80 million renminbi  
**TOTAL: 348 MILLION RENMINBI**

(**TARGET** [] notes that 160 million renminbi, borrowed from China Merchants Bank and Guangdong Financial Trust Company, was money that was required for Working Capital purposes.)

3. \$HK344,860,000, representing 20 percent, *‘to be used primarily for establishing a teacher and staff training and development center’*; and,
4. \$HK155,187,000, representing nine percent, *‘to be used to fund our working capital and general corporate purposes’*.

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