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Edvantage Group Holdings Limited
中匯集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 0382)

**VOLUNTARY ANNOUNCEMENT ON BUSINESS UPDATE
FOR THE NINE MONTHS ENDED 31 MAY 2020**

The Board is pleased to announce an update on certain latest unaudited financial and operational information, and business development of the Group for the nine months ended 31 May 2020 on a voluntary basis.

HIGHLIGHTS

	For the nine months ended 31 May		Percentage increase
	2020 (unaudited)	2019 (unaudited)	
Revenue (<i>RMB'000</i>)	609,238	528,130	15.4%
Cost of revenue (<i>RMB'000</i>)	310,386	278,111	11.6%
Gross profit (<i>RMB'000</i>)	298,852	250,019	19.5%
Number of student enrolments	35,444	32,817	8.0%

BUSINESS UPDATE

This is a voluntary announcement made by Edvantage Group Holdings Limited (the “**Company**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce an update on certain latest unaudited financial and operational information and business development of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 31 May 2020 (the “**Period under Review**”).

Overview

For the nine months ended 31 May 2020:

Key Highlights:

The Group’s revenue, gross profit, and gross margin increased by approximately 15.4%, approximately 19.5%, and 1.8 percentage points year-on-year to approximately RMB609.2 million, approximately RMB298.9 million, and 49.1%, respectively.

The Group’s number of student enrolments was 35,444, representing an increase of 8.0% as compared with the corresponding period of last year. Among them, the numbers of student enrolments in Huashang College Guangdong University of Finance and Economics (廣東財經大學華商學院) (“**Huashang College**”) and Guangzhou Huashang Vocational College (廣州華商職業學院) (“**Huashang Vocational College**”) were 24,126 and 10,662, up 6.4% and 11.7% respectively, as compared with the corresponding period of last year. In addition to the number of students, the average tuition fee for the Group’s student enrolments also recorded a considerable increase. During the Period under Review, the average tuition fees for student enrolments in Huashang College and Huashang Vocational College were RMB24,324 and RMB15,633, representing a year-on-year increase of 11.5% and 3.9%, respectively.

During the Period under Review, the Group made significant breakthroughs in the expansion of its school network by adding a new campus and a school at home and abroad, respectively. In early June 2020, the Group acquired a land parcel with an area of approximately 455,652 sq.m. (approximately 683 Mu) in Xinhui District, Jiangmen City, Guangdong Province for the first-phase construction of Jiangmen Xinhui Campus (“**Xinhui Campus**”) of Huashang Vocational College. The first-phase campus is expected to accommodate approximately 12,000 students and expected to commence operation in September 2021. In addition, during the Period under Review, Edvantage Institute Australia Pty Ltd (trading as Edvantage Institute Australia, and formerly known as Global Higher Education Australia Pty Ltd), a subsidiary of the Group, was granted the registration by Tertiary Education Quality and Standards Agency (“**TEQSA**”) in Australia to offer higher education programs (including undergraduate degree programmes and master degree programmes) as the Group's new member school. Its student recruitment is scheduled to commence in the first quarter of year 2021.

Refund of boarding fees:

In terms of the refund of boarding fees for the 2019/2020 school year, the Group is expected to refund boarding fees totalling approximately RMB36 million as the Ministry of Education of the People's Republic of China requires a refund of boarding fees for half a semester to students since they were not able to return to school due to the novel coronavirus pneumonia epidemic 2019 (“COVID-19”). Meanwhile, the Group estimates that the cost of revenue (such as property management related expenses and education related expenses) saved for the financial year 2020 as a result of the COVID-19 will be over RMB30 million as teachers and students were unable to return school. Therefore, the Group expects that it would not have significant adverse impacts on the Group's gross profit and gross margin for the full financial year 2020.

Operation Review

Introduction of many favourable policies:

During the Period under Review, Mainland China issued several policies which are in favour of the Group's higher education business and vocational education business. The State Council of the People's Republic of China in a press conference on the joint prevention and control mechanism on 28 February 2020 mentioned the goal of expanding the enrolment of postgraduate and degree programmes for junior college students, the numbers of which are expected to increase by 189,000 and 322,000 year-on-year, respectively. The planned number of students enrolled for degree programmes for junior college students in Guangdong province has increased from 21,987 to 43,432, nearly a two-fold growth. On 28 May 2020, the General Office of the Ministry of Education of the People's Republic of China issued a circular on continuing education towards a second undergraduate degree in regular universities and colleges to encourage them to provide second bachelor's degree education, with a focus on such areas highly demanded by the country as public health and preventive medicine, emergency technology and management, electronic information, big data, biology and pharmaceuticals, elderly care, and housekeeping services as well as other majors that universities and colleges have the ability and need to offer. The government's work report published on 22 May 2020 points out that higher vocational colleges nationwide have enrolled a total of 1.16 million additional students in 2019, exceeding the target of 1 million additional enrolment as scheduled and there will be more than 3,500 vocational skill training sessions and an enrolment of 2 million additional students for this year and next. The Group believes that the above policies will be fully beneficial to the business development of the Group.

Operations of four schools, enrolment plan for the 2020/2021 school year, and tuition fee range for new students of the 2020/2021 school year:

During the Period under Review, the second semester of the 2019/2020 school year has ended in Huashang College and will end on 20 July 2020 in Huashang Vocational College. In terms of the plan for the start of the 2020/2021 school year, existing students of Huashang College and Huashang Vocational College will return to schools for registration starting from 22 August 2020 and the registration date for new students is tentatively scheduled from

late September to early October 2020. Global Business College of Australia (“GBCA”) and NYU Language School (“NYU”) in Singapore, two overseas schools under the Group, also gave classes online. During the Period under Review, there were 619 students in GBCA and 37 in NYU. NYU has moved to a larger new campus with a better geographical location, and its teaching experience and the number of students that it can accommodate will be improved in the future.

In terms of the enrolment plan for the 2020/2021 school year, the Ministry of Education of the People's Republic of China has approved approximately 5,300 places for Huashang College. The reason for this adjustment compared with the enrolment plan for the school year of 2019/2020 is that the Education Department of Guangdong Province has adopted a unified enrolment adjustment plan for the 2020/2021 school year among independent colleges in Guangdong Province to meet the relevant requirements of the Ministry of Education of the People's Republic of China for successful conversion of independent colleges into private higher education institutions. The planned enrolment for degree programmes for junior college students is 1,800, representing an increase of 900 compared with the enrolment plan for the school year of 2019/2020. The 2020 college entrance exam for junior college students has completed in Guangdong Province, and the Group's number of students finally enrolled for degree programmes for junior college students for the 2020/2021 school year is to be announced and expected to exceed 1,800. The planned enrolment in Huashang Vocational College for the 2020/2021 school year is approximately 7,500, representing an increase of approximately 2,000 compared with the enrolment plan for the 2019/2020 school year. Overall, the planned enrolment of the Group for the 2020/2021 school year will steadily increase.

The above-mentioned enrolment plan involves unified admission of undergraduates, unified admission of degree programmes for junior college students and unified admission of junior college students. It is worth noting that although the conversion plan has an impact on the enrolment plan for unified admission undergraduates for the 2020/2021 school year, the Group strives to complete the conversion of Huashang College before late December 2020. If the conversion is completed as scheduled, the impact will only affect the enrolment plan for unified admission undergraduates for the 2020/2021 school year of the Group, which can be offset by the development of degree programmes for junior college students, junior college and vocational education business that year. Meanwhile, the Group expects that the enrolment plan for the 2021/2022 school year will stay at the same level as that for the 2019/2020 school year plus a possible rise. The annual fee payable to Guangdong University of Finance & Economics is also expected to gradually decrease from financial year 2022, which will have a positive impact on the Group's future development.

As for the range of tuition fees for new students of Huashang College and Huashang Vocational College under the Group in the 2020/2021 school year, the range for undergraduate programmes is RMB28,000 – 43,800, an increase of RMB1,000 – 4,000 year-on-year, the range for degree programmes for junior college students is RMB27,000 – 33,000, an increase of RMB2,000 – 3,200 year-on-year, and that for junior college diploma programmes is RMB16,500 to RMB28,000, an increase of RMB1,000. It can be seen that the range of tuition fees for students new to schools under the Group will have a considerable increase as higher tuition fees reflect the Group's continuous improvement in the quality of its education services.

Demonstration of outstanding advantages of the “Huashang e-Home” platform in the COVID-19:

The Group’s “Huashang e-Home” (「華商E家」) application fully demonstrated its advantages in response to the COVID-19. The “Huashang e-Home” developed a health card to collect the health information of teachers and students and closely tracked their health status to provide reliable data in preparation for their return to school at the early stage of the COVID-19. If recent graduates cannot attend the graduation ceremony at school, they can complete graduation procedures via “Huashang e-Home” online to avoid unnecessary crowds which effectively reduces administrative workload. Before graduation, they can check and repay arrears on library and the utility bill and pay for relevant supplementary training courses through “Huashang e-Home”.

Strong business-education partnership:

During the Period under Review, the Group established business-education partnerships with many well-known companies to further deepen the integration of industry and education and implement the national “1 + X” certificate system. So far, the Group has reached strategic cooperation with SenseTime Group Limited (“**SenseTime**”), Kingdee Software China Company Ltd. (“**Kingdee**”), Shenzhen Zhongxingxin Cloud Service Co., Ltd. (“**Zhongxingxin Cloud**”) and Beijing Baidu Netcom Science and Technology Co., Ltd. (“**Baidu**”) in a variety of fields such as artificial intelligence, management informatisation, teaching informatisation, and financial sharing, with an aim to furnish students with more diverse teaching content, improve their employability after graduation, and facilitate the Group’s comprehensive digital transformation.

Business Update

Core business:

1. Improvement in School Condition and Teaching Resources

- **Xinhui campus:** During the Period under Review, the Group acquired a land parcel in Xinhui District, Jiangmen City, Guangdong Province for the first-phase construction of the new campus of Huashang Vocational College and the part-time academic education newly deployed by the Group. The first-phase campus with an area of approximately 455,652 sq. m. (approximately 683 Mu) is expected to accommodate about 12,000 students and put into use in September 2021. After the commencement of the operation of the first-phase campus, there are still two phases to be constructed in the future.

- **Sihui campus:** The first-phase Sihui campus of Huashang College will be put into operation as scheduled in September 2020. The first-phase campus covers an area of approximately 165,166 sq. m. (approximately 248 Mu) and is expected to accommodate approximately 6,000 students. The overall planned area of this campus is approximately 533,300 sq. m. (approximately 800 Mu) and the campus is expected to accommodate approximately 16,000 students.
- **Zengcheng campus:** The constructions of the Huashang Science & Technology Centre and Huashang International Conference Centre on the Zengcheng campus are in progress as scheduled. The Huashang Science & Technology Centre will be mainly used for teaching activities, and the Huashang International Conference Centre will be mainly used to host industry or school-enterprise meetings, academic activities and practical training.

With the completion of Sihui and Xinhui new campuses, the Group's three campuses (Zengcheng, Sihui and Xinhui) will offer considerable capacity for students seeking academic and non-degree education. The campuses are all located in Guangdong Province, which features great economic and demographic advantages and has a strong demand for higher education resources. There is an approximately 1–1.5 hour drive on average between each other. The Group's quality school brands, sufficient school conditions, and superior school locations will lead to a considerable endogenous growth in the next few years.

2. *Diversification of Education Services*

- **Teaching venue in Shenzhen:** The Group actively expands its teaching network to Shenzhen, a city known as the “China Special Economic Zone”, “International City”, “China Silicon Valley” and “Pilot Demonstration Zone”, as the teaching place for such high-end courses as artificial intelligence, big data and fintech courses, as well as an innovation and entrepreneurship base and incubator. The teaching venue is located in The Mixc Commercial Zone (萬象天地商圏), Nanshan District, Shenzhen and has been put into operation in May 2020.

3. *Course Improvement*

Following cooperation with SenseTime, Southwest University of Political Science and Law and Kingdee, the Group established a strategic partnership with Zhongxingxin Cloud and Baidu during the Period under Review. This strong alliance will continue to help offer more diversified courses for the students of the Group.

- **Strategic cooperation with Zhongxingxin Cloud:** On 13 May 2020, the Group signed a cooperation agreement with Zhongxingxin Cloud, a subsidiary of ZTE Corporation and one of leading financial shared service solution providers in China. Pursuant to this agreement, the two parties will jointly set up a co-branded class and send professional teachers and expert advisors to each other's schools and companies, provide academic and practical teaching for students majoring in finance, and jointly develop shared finance and medium-and high-end financial management talents.
- **Strategic cooperation with Baidu:** On 18 June 2020, the Group signed a strategic cooperation agreement with Baidu to jointly provide education in areas of expertise such as big data, artificial intelligence and fintech and develop courses and teaching resources based on their existing curriculum systems and resources and expertise development needs.

4. *Global Expansion and Improvement of Teaching Quality*

During the Period under Review, the Group made a major breakthrough in the expansion of its international school network, and Edvantage Institute Australia was granted the registration by TEQSA in Australia to offer higher education programs (including undergraduate degree programmes and master degree programmes) as the Group's new member school. In addition, the Group is continuing with the establishment of its London campus steadily.

- **Edvantage Institute Australia:** Edvantage Institute Australia is the first higher education institution of the Group which was granted the registration to be qualified to accept students seeking both undergraduate and master degrees. In running the school and providing education, the Group is committed to developing high-end application-oriented industry talents, senior business management talents that adapt to social needs, and business leaders of the times. It aims to build the school into a top overseas college of Huashang Education Group with top-level teachers, create an international and diverse campus, and become a globally well-known school with a high reputation in the industry.
 - In terms of the curriculum, we will start with marketing undergraduate courses and expand traditional immigration undergraduate courses such as IT and education. The Group also plans to develop into a higher education institution with a focus on masters-level programmes represented by MBA and supplemented by pre-masters courses;

- In respect of the enrolment plan, the Group has always been focusing on the teaching quality of its schools and their student enrolment instead of quantitative success. It is currently preparing for the enrolment that is planned to commence in the first quarter of 2021 and the number of students enrolments which is expected to reach 600 within 4 years;
 - As for collaboration with its colleges in China, the Group envisages the setup of “3+2” and “2+2” programmes with Huashang College and Huashang Vocational College, respectively, as well as the offering of Global Immersion Programme to students in the domestic colleges to prepare them for Edvantage Institute Australia.
- **London campus:** The Group is advancing relevant preparations for a new campus in London. As part of the preparations, such as licensing application is ongoing. So far, the Group has not invested much in preparing for the new campus in London.

Vocational education business:

The vocational education business of the Group further grew under the state government policy on the encouragement of the “1 + X” certificate system for vocational colleges and technical training colleges and enrolment of 2 million additional students for higher vocational colleges. The vocational education business of the Group has high growth and gross profit margin and will become a new revenue growth factor for the Group. The Group expects that the revenue of this business segment in the financial year 2019/2020 will increase by approximately 50% or above year-on-year (approximately RMB9 million in the financial year 2018/2019) and its gross profit margin will also exceed that of its core business (gross profit margin of the core business: approximately 48.6% in the financial year 2018/2019). The Group has taken the following main measures during the Period under Review to vigorously develop its vocational education business:

- **Actively cooperation with industry-leading institutions/schools to offer high-end vocational education training courses in China and beyond:**
 - Development of AI-related courses with SenseTime (expected to commence in the school year of 2020/2021);
 - Development of courses related to enterprise digital management talents with Kingdee Group (expected to commence in the school year of 2020/2021);
 - Implementation of vocational training projects in law with the Southwest University of Political Science and Law through overseas educational resources (expected to commence in the school year of 2020/2021);

- Delivery of training on medium-and high-end shared corporate finance talents with Zhongxingxin Cloud (expected to commence in the school year of 2020/2021);
- Opening of Baidu computer vision and other application development related courses with Baidu (expected to commence in the school year of 2020/2021);
- **More certified vocational training courses have been introduced in Zengcheng campus:**
 - such as CFA, junior accountant, computer science, teacher qualification certificate, CET 4, CET 6 and IELTS;
- **Further development of the high-skilled talent programme in Zengcheng campus:**
 - The numbers of student enrolments in the school year of 2019/20 is 2,229;
- **Further development of Continuing Education in Zengcheng campus:**
 - The numbers of student enrolments in the school year of 2019/20 is 4,164.

Overall, the Group’s business update for the first three quarters of financial year 2019/2020 indicate that the Group is able to resist the impact of the COVID-19. The Group’s school network is constantly expanding to fully complement its school condition and breakthroughs in the running of overseas schools is also a testament to the Group’s strong school management ability. Looking forward, the Group will keep strengthening its higher education business and put enormous efforts to develop vocational education business, which is currently credited to other revenue to create more value for the shareholders of the Company (the “Shareholders”).

Financial Highlights

Revenue

The Group’s revenue represents income derived from tuition fees and boarding fees for the education services provided in the normal course of business at Huashang College, Huashang Vocational College, GBCA and NYU Language School, as well as fees from university cooperation programme recognised for providing various resources and administrative support to the University of Canberra which provided certain of its bachelor’s degree programmes at GBCA. For the nine months ended 31 May 2020, the Group’s revenue was approximately RMB609.2 million, representing an increase of 15.4% as compared with the corresponding period of last year, which was attributable to the increases in both number of student enrolments and average tuition fees within the Period under Review.

Cost of Revenue

Cost of revenue consists primarily of staff costs, education expenses, depreciation, property management expenses and others. For the nine months ended 31 May 2020, the Group's cost of revenue amounted to approximately RMB310.3 million, representing an increase of 11.6% as compared with the corresponding period of last year.

Gross Profit and Gross Margin

For the nine months ended 31 May 2020, the Group recorded a gross profit of approximately RMB298.9 million, representing an increase of 19.5% as compared with the corresponding period of last year. For the nine months ended 31 May 2020, the Group achieved a gross margin of 49.1%, up by 1.8 percentage points as compared with the corresponding period of last year. The growth was mainly attributable to the increasing number of student enrolments and average tuition fees and various efforts of cost control.

Other key financial indicators

	At 31 May 2020 RMB'000 (unaudited)	At 29 February 2020 RMB'000 (unaudited)
Non-current assets	1,888,411	1,776,255
Current assets	985,315	995,076
Current liabilities	588,307	613,233
Net current assets	397,008	381,843

Liquidity, Financial Resources and Gearing Ratio

As at 31 May 2020, the Group had liquid funds (representing bank balances and cash and structured deposits recognised in financial assets at fair value through profit or loss) of approximately RMB822.6 million (29 February 2020: RMB846.7 million) and bank borrowings of approximately RMB524.9 million (29 February 2020: RMB329.8 million), included in the unaudited consolidated financial statements.

The Group's gearing ratio as of 31 May 2020, represented by bank borrowings as a percentage of total assets, was approximately 18.3% (29 February 2020: 11.9%).

Capital Expenditures

For the nine months ended 31 May 2020, the Group recorded approximately RMB375.1 million in capital expenditures in the unaudited consolidated financial statements, representing an increase of 108.9% as compared with the corresponding period of last year. It was mainly attributable to the costs incurred for maintaining and enhancing the existing school premises, construction of new school premises and acquisition of land for education purpose.

The Board wishes to remind Shareholders and potential investors of the Company that the above financial and operational data are based on the preliminary assessment of the Group's management accounts for the nine months ended 31 May 2020 which have not been audited or reviewed by auditors. Accordingly, figures and discussions contained in this announcement should in no way be regarded as any indication or assurance on the financial results of the Group for the nine months ended 31 May 2020. Shareholders and potential investors of the Company are cautioned not to place undue reliance on such data.

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

By order of the Board
Edvantage Group Holdings Limited
Liu Yung Chau
Chairman and Executive Director

Hong Kong, 16 July 2020

As at the date of this announcement, the executive Directors are Mr. Liu Yung Chau, Ms. Chen Yuan, Rita and Ms. Liu Yi Man, the non-executive Director is Mr. Liu Yung Kan; and the independent non-executive Directors are Mr. Xu Gang, Mr. Lo Chi Chiu and Mr. Li Jiatong.