Edvantage Group Holdings Limited
中 滙 集 團 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 0382)

(1) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN GUANGDONG SUN CITY INDUSTRIAL CO., LTD.* AND (2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS

THE ACQUISITION

On 14 December 2021, Guangzhou Ziheng Education, an indirect wholly-owned subsidiary of the Company, and Shenzhen Zhuochuang Education (as the transferee of the Sale Shares designated by Guangzhou Zhiheng Education) entered into the Acquisition Agreement with Nanning Yuzhuoqin Education as the vendor and the Target Group, pursuant to which Guangzhou Zhiheng Education has conditionally agreed to acquire the Sale Shares.

As a condition to the Completion of the Acquisition Agreement, Guangzhou Zhiheng Education will enter into the Structured Contracts with the Registered Shareholders and the OPCO Group, through which Guangzhou Zhiheng Education will have effective control over the OPCO Group, and will enjoy the economic benefits generated by the OPCO Group.

LISTING RULES IMPLICATIONS

The Acquisition

As at the date of this announcement, the Target Group is wholly-owned by Nanning Yuzhuoqin Education, which in turn is owned as to 60% by Mr. Liu Yung Kwong (廖榕光) and 40% by Ms. Chen Sudan (陳素丹). Mr. Liu Yung Kwong is the brother of each of Mr. Liu Yung Chau (廖榕就) (a controlling shareholder of the Company, an executive Director and the chairman of the Board) and Mr. Liu Yung Kan (廖榕根) (a non-executive Director), the brother-in-law of Ms. Chen Yuan, Rita (陳練瑛) (a controlling shareholder of the Company and an executive Director) and the uncle of Ms. Liu Yi Man (廖伊曼) (an executive Director and the chief executive officer of the Company). Ms. Chen Sudan is the sister of Ms. Chen Yuan, Rita, the sister-in-law of Mr. Liu Yung Chau and the aunt of Ms. Liu Yi Man. Therefore, Mr. Liu Yung Kwong and Ms. Chen Sudan are connected persons of the Company, and Nanning Yuzhuoqin Education, the Target Company and the Target School, each being a majority-controlled company/entity of Mr. Liu Yung Kwong and Ms. Chen Sudan, are connected persons of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions under the Acquisition Agreement are more than 0.1% but all are less than 5%, the entering into of the Acquisition Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements.

The Contractual Arrangements

As at the date of this announcement, Shenzhen Zhuochuang Education as the OPCO is owned as to 60% by Ms. Liu Meiyung (廖美容) and 40% by Ms. Chen Wanling (陳婉玲). Ms. Liu Meiyung is the sister of each of Mr. Liu Yung Chau (廖榕就) (a controlling shareholder of the Company, an executive Director and the chairman of the Board) and Mr. Liu Yung Kan (廖榕根) (a non-executive Director), the sister-in-law of Ms. Chen Yuan, Rita (陳練瑛) (a controlling shareholder of the Company and an executive Director) and the aunt of Ms. Liu Yi Man (廖伊曼) (an executive Director and the chief executive officer of the Company). Ms. Chen Wanling is the sister of Ms. Chen Yuan, Rita, the sister-in law of Mr. Liu Yung Chau and the aunt of Ms. Liu Yi Man. Therefore, Ms. Liu Meiyung and Ms. Chen Wanling are connected persons at the issuer level of the Company, and the OPCO, the Target Company and the Target School, each being a majority-controlled company/entity held by Ms. Liu Meiyung and Ms. Chen Wanling, are/will be connected persons at the issuer level of the Company.

After the Acquisition, the OPCO will be treated as if a subsidiary of the Company, and the Registered Shareholders will be parties to several agreements contemplated under the Structured Contracts. The entering into of the Structured Contracts and the transactions contemplated under the Structured Contracts will constitute continuing connected transactions of the Company upon the Structured Contracts becoming effective, and are subject to announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will apply to the Stock Exchange for a waiver from strict compliance with (i) the requirement of the independent shareholders' approval for the Structured Contracts under Rule 14A.36; (ii) fixing the term of the Structured Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (iii) setting a maximum annual cap for the service fees by the OPCO Group to Guangzhou Zhiheng Education under Rule 14A.53 of the Listing Rules.

(1) THE ACQUISITION

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 14 December 2021, Guangzhou Zhiheng Education, an indirect wholly-owned subsidiary of the Company, and Shenzhen Zhuochuang Education (as the transferee of the Sale Shares designated by Guangzhou Zhiheng Education) entered into the Acquisition Agreement with Nanning Yuzhuoqin Education as the vendor and the Target Group, pursuant to which Guangzhou Zhiheng Education has conditionally agreed to acquire the Sale Shares.

Date : 14 December 2021

Parties : (1) Guangzhou Zhiheng Education;

(2) Shenzhen Zhuochuang Education;

(3) Nanning Yuzhuoqin Education; and

(4) The Target Group

Subject matter	:	Pursuant to the Acquisition Agreement, Guangzhou Zhiheng Education has conditionally agreed to acquire (with Shenzhen Zhuochuang Education as the transferee of the Sale Shares designated by Guangzhou Zhiheng Education) and Nanning Yuzhuoqin Education has conditionally agreed to sell the Sale Shares. As at the date of the Acquisition Agreement, the Target Company holds 100% equity interest of the Target School.
Consideration and Conditions	:	RMB150.0 million (equivalent to approximately HK$182.9 million) which shall be made in the following manner: ***First Payment*** The First Payment of RMB30.0 million (equivalent to approximately HK$36.6 million) shall be made within 10 Business Days of the effective date of the Acquisition Agreement. ***Second Payment*** The Second Payment of RMB90.0 million (equivalent to approximately HK$109.8 million) shall be made within 10 Business Days upon the fulfillment of the following conditions: (i) approval(s) by the Board and the Shareholders (if applicable) having been obtained for the entering of the Acquisition Agreement and the transactions contemplated thereunder, and the signing, delivery and execution of the Transaction Documents by Shenzhen Zhuochuang Education; (ii) internal approval(s) from all competent authorities of the Vendors Group in connection with the signing, delivery and execution of the Transaction Documents having been obtained;

(iii) the new articles of association of the Target Company having been signed by Shenzhen Zhuochuang Education;

(iv) registration of the Sale Shares under the name of Shenzhen Zhuochuang Education having been completed;

(v) delivery of relevant documents and information of the Target Group by the Vendors Group to Shenzhen Zhuochuang Education or any other parties designated by Shenzhen Zhuochuang Education having been completed;

(vi) the Structured Contracts having been executed by the Target Group with Guangzhou Zhiheng Education and/or any other parties designated by Shenzhen Zhuochuang Education according to the requirements of Shenzhen Zhuochuang Education;

(vii) all relevant provisions under the applicable PRC laws and regulations in relation to the existence, management and operations of the Target Group having been complied with;

(viii) representations and warranties made by the Vendors Group in the Acquisition Agreement remaining accurate, true and complete; undertakings and obligations under the Acquisition Agreement having been complied with by the Vendors Group; and there having been no breach of the Acquisition Agreement by the Vendors Group;

(ix) there having been no Material Adverse Change; and

(x) there having been no applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement.

Third Payment

The Third Payment of RMB30.0 million (equivalent to approximately HK$36.6 million) shall be made within 10 Business Days upon the fulfillment of the following conditions:

(i) the re-organisation of the board of directors and management of the Target School having been completed according to the requirements of Shenzhen Zhuochuang Education; and the registration of updated list of board of directors of the Target School with the Human Resources and Social Security Department of Guangdong Province having been completed;

(ii) representations and warranties made by Nanning Yuzhuoqin Education in the Acquisition Agreement remaining accurate, true and complete; undertakings and obligations under the Acquisition Agreement having been complied with by Nanning Yuzhuoqin Education; and there having been no breach of the Acquisition Agreement by Nanning Yuzhuoqin Education;

(iii) waiver from strict compliance with the requirements of independent shareholders' approval, setting an annual cap and fixing the term of agreements for the continuing connected transactions contemplated under the Structured Contracts having been obtained from the Stock Exchange by the Company; and

(iv) there having been no applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement.

The consideration of the Acquisition was arrived at after arm's length negotiations with reference to and taking into account the track record, geographical location, number of students and course offerings of the Target School which is owned by the Target Company.

Further details of the basis which the Company has considered are as follows:

(1) **Track Record**: The Company has analysed the track record of the Target Group which has an upward trend in its financial performance in the past years. Based on the unaudited consolidated financial information of the Target Group which have been disclosed under the section headed "INFORMATION ABOUT THE PARTIES TO THE ACQUISITION AGREEMENT — The Vendors Group", the unaudited revenue of the Target Group increased by approximately RMB12.3 million or 64.6% from approximately RMB19.1 million for the year ended 31 August 2020 to approximately RMB31.4 million for the year ended 31 August 2021. The unaudited net profit after taxation of the Target Group also increased by approximately RMB5.2 million or 113.7% from approximately RMB4.6 million for the year ended 31 August 2020 to approximately RMB9.8 million for the year ended 31 August 2021.

Furthermore, the Board considers that, subsequent to the Group gaining control of the Target Group after Completion and in light of the underlying potential in the Target Group together with the synergy effect to be brought by the existing reputation, network and connection of the Group, the income generating capacity and development potential of the Target Group could be maximised so as to create much value to the Company and the Shareholders.

(2) **Geographical Location**: The Target School enjoys geographical advantage as it situates in the Guangdong-Hong Kong-Macau Greater Bay Area of the PRC with a growing employed population. It is expected that the market for private secondary vocational training services will be benefited from such growth. Besides, the campus of the Target School is conveniently connected to major highways, which are considered appealing to the students and potential students and may attract more student intake for the Target School.

(3) **Number of Students**: The aggregate number of student enrollments in the Target School increased for the last three academic years. The aggregate number of students enrolled in the Target School increased by approximately 45% from approximately 2,200 students for the academic year of 2019/2020 to approximately 3,200 students for the academic year of 2020/2021, and further increased to approximately 5,400 students for the academic year of 2021/2022, representing a growth of approximately 69%.

(4) **Course Offerings**: The Target School offers 13 major professions, including, among others, "Early Childhood Education", "Pharmaceutical Marketing", "Beauty and Health Care", "E-Commerce", "Accounting" and "Sales and Marketing". Such a wide spectrum of course offerings of the Target School not only caters for the respective individual needs of the students and potential students, it also attracts more students to enrol these courses and provides for more varieties and diversified courses to students.

Completion : Completion shall take place on the date when (i) the registration of the Sale Shares under Shenzhen Zhuochuang Education is completed; or (ii) delivery of the relevant documents and information of the Target Group by the Vendors Group to Shenzhen Zhuochuang Education or any other parties designated by Shenzhen Zhuochuang Education is completed, whichever is later.

INFORMATION ABOUT THE PARTIES TO THE ACQUISITION AGREEMENT

The Company and the Group

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands on 18 October 2018. The Company is an investment holding company.

Guangzhou Zhiheng Education is an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of education consulting services.

The Group is the largest private higher education group in the Guangdong-Hong Kong-Macau Greater Bay Area of the PRC in terms of total student enrolment of business majors for the 2017/2018 academic year according to Frost & Sullivan, and it is an early mover in the education sector in pursuing international expansion. The Group mainly operates four private education institutions in the PRC ((i) Guangzhou Huashang College, a full-time, high-level application-oriented undergraduate college, (ii) Guangzhou Huashang Vocational College, a full-time junior academic college, (iii) Urban Vocational College of Sichuan, a full-time junior academic college, and (iv) Urban Technician College of Sichuan, a secondary academic vocational education institution), and three private education institutions overseas ((i) Global Business College of Australia (a private education institution approved, accredited and registered by the Australian department of education), (ii) Edvantage Institute Australia (a private education institution accredited and licensed by Tertiary Education Quality and Standards Agency in Australia), and (iii) Edvantage Institute Singapore (a private education institution certified by EduTrust in Singapore)). For more information on the Group, please visit its official website at http://www.edvantagegroup.com.hk/ (the information that appears in this website does not form part of this announcement).

Shenzhen Zhuochuang Education

Shenzhen Zhuochuang Education is a company established in the PRC with limited liability. Upon the Completion, it will own 100% of the entire equity interest in the Target Company. It is an investment holding company and its business scope includes provision of e-commerce services and information technology research and development services.

The Vendors Group

Mr. Liu Yung Kwong (廖榕光)

Mr. Liu Yung Kwong is the brother of each of Mr. Liu Yung Chau (a controlling shareholder of the Company, an executive Director and the chairman of the Board) and Mr. Liu Yung Kan (a non-executive Director), the brother-in-law of Ms. Chen Yuan, Rita (a controlling shareholder of the Company and an executive Director) and the uncle of Ms. Liu Yi Man (an executive Director and the chief executive officer of the Company).

Ms. Chen Sudan (陳素丹)

Ms. Chen Sudan is the sister of Ms. Chen Yuan, Rita, the sister-in-law of Mr. Liu Yung Chau and the aunt of Ms. Liu Yi Man.

Nanning Yuzhuoqin Education

Nanning Yuzhuoqin Education is a company established in the PRC with limited liability. It is an investment holding company and its business scope includes the provision of education consulting services and information technology consulting services.

The Target Company is a company established in the PRC with limited liability. It owns the entire equity/school sponsor's interest in the Target School. The Target Company is an investment holding company and its business scope includes the provision of education consulting services.

The Target School is a private school registered as a private non-enterprise unit under the laws of the PRC. It obtained approval from the Ministry of Labour and Social Security of Guangdong Province in 2007. It is principally engaged in the provision of secondary vocational training services.

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the years ended 31 August 2020 and 2021, prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 August 2020 (unaudited) *RMB'000*	**For the year ended 31 August 2021 (unaudited)** ***RMB'000***
Revenue	19,050	**31,359**
Net profit before taxation	4,607	**9,846**
Net profit after taxation	4,607	**9,846**

The unaudited consolidated net asset value of the Target Group as at 31 August 2021 was approximately RMB12,961,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the development strategies of the Group is the expansion of its network in the education industry through mergers and acquisitions.

Having considering the basis of consideration as set out in the section headed "(1) THE ACQUISITION — THE ACQUISITION AGREEMENT — Consideration and Conditions" in this announcement, which includes, among others, the track record, geographical location, number of students and course offerings of the Target Company and the Target School, the Directors believe that the Acquisition will bring attractive growth potential to the Group in the secondary vocational training services market in the PRC, thereby achieving more diversified and higher income growth for the Group.

The Directors also believe that the Acquisition will complement the existing school network of the Group. It will enable the Group to further expand the asset portfolio of the schools of the Group. Accordingly, the Directors believe that the Acquisition is an important horizontal expansion of the existing business of the Group.

After considering the above factors, the Board (including all independent non-executive Directors) considers that the Acquisition is conducted on normal commercial terms, and the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Board has approved the Acquisition and the transactions contemplated under the Acquisition Agreement. Mr. Liu Yung Chau (廖榕就), Mr. Liu Yung Kan (廖榕根), Ms. Chen Yuan, Rita (陳練瑛) and Ms. Liu Yi Man (廖伊曼) had abstained from voting in the board meeting during which the Board approved the Acquisition and the transactions contemplated under the Acquisition Agreement to avoid any potential conflict of interests.

Due to the restriction of foreign ownership under the PRC laws, Shenzhen Zhuochuang Education is designated by Guangzhou Zhiheng Education to acquire the Sale Shares. As a condition to the Completion of the Acquisition, Guangzhou Zhiheng Education will enter into the Structured Contracts with the Registered Shareholders and the OPCO Group. Upon the Structured Contracts becoming effective, the Company shall have indirect control over the management and operations of the OPCO Group through the Structured Contracts.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As at the date of this announcement, the Target Group is wholly-owned by Nanning Yuzhuoqin Education, which in turn is owned as to 60% by Mr. Liu Yung Kwong (廖榕光) and 40% by Ms. Chen Sudan (陳素丹). Mr. Liu Yung Kwong is the brother of each of Mr. Liu Yung Chau (廖榕就) (a controlling shareholder of the Company, an executive Director and the chairman of the Board) and Mr. Liu Yung Kan (廖榕根) (a non-executive Director), the brother-in-law of Ms. Chen Yuan, Rita (陳練瑛) (a controlling shareholder of the Company and an executive Director) and the uncle of Ms. Liu Yi Man (廖伊曼) (an executive Director and the chief executive officer of the Company). Ms. Chen Sudan is the sister of Ms. Chen Yuan, Rita, the sister-in-law of Mr. Liu Yung Chau and the aunt of Ms. Liu Yi Man. Therefore, Mr. Liu Yung Kwong and Ms. Chen Sudan are connected persons of the Company, and Nanning Yuzhuoqin Education, the Target Company and the Target School, each being a majority-controlled company/entity of Mr. Liu Yung Kwong and Ms. Chen Sudan, are connected persons of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions under the Acquisition Agreement are more than 0.1% but all are less than 5%, the entering into of the Acquisition Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements.

(2) THE CONTRACTUAL ARRANGEMENTS

INFORMATION OF THE STRUCTURED CONTRACTS

The Structured Contracts will be entered into as one of the payment conditions to the Acquisition Agreement. The Target School is a secondary technical and vocational education provider in the PRC. Pursuant to the Sino-foreign Vocational Skills Training Measures (中外合作職業技能培訓辦學管理辦法), the foreign investor in a Sino-foreign technical school (a "**Sino-Foreign Technical School**") shall be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "**Qualification Requirements**").

In November 2021, the PRC legal advisers of the Company, on behalf of the Company, interviewed the Technical Education Management Office (技工教育管理處) of the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳), the competent authority for the Target School. During the interview, such authority advised and confirmed that (i) no implementation measures or specific guidance were promulgated pursuant to the Sino-Foreign Vocational Skills Training Measures, including the Qualification Requirements in Guangdong Province; and (ii) as a matter of policy, due to the lack of implementing measures of specific guidance on the Sino-

Foreign Vocational Skills Training Measures, including the Qualification Requirements, the relevant authority is unlikely to approve the application to convert the Target School into a Sino-Foregin Technical School, and have no objection to the Contractual Arrangements.

Based on the foregoing, the PRC legal advisers of the Company have advised and concluded that there are no implementation measures or specific guidance promulgated on the Qualification Requirements in accordance with the existing PRC laws. Therefore, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirements. It is not feasible and practicable for the Group to seek to reorganise the OPCO Group as a Sino-Foreign Technical School.

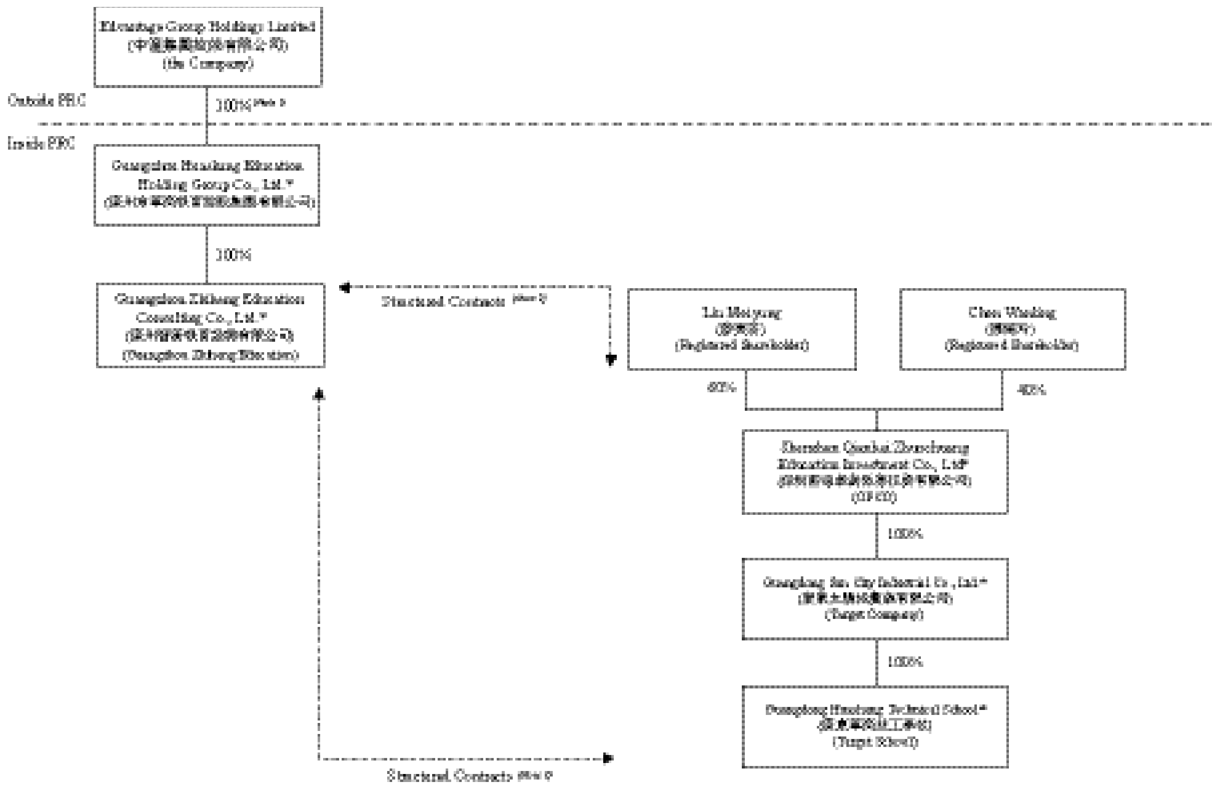
Given that as at the date of this announcement, as advised by the PRC legal advisers of the Company, there are no implementing measures or specific guidance on the Qualification Requirements, it is therefore not practicable for the Group to seek to apply to reorganise the Target School as a Sino-Foreign Technical School.

ILLUSTRATIVE DIAGRAM OF THE CONTRACTUAL ARRANGEMENTS

(a) Before the entering into of the Structured Contracts

"—" denotes shareholding/equity holding relationship

(b) After the entering into of the Structured Contracts



"——" denotes shareholding/equity holding relationship

"- - -" denotes contractual relationship

Note 1: The Company indirectly owns the entire equity interest of Guangzhou Huasheng Education Holding Group Co., Ltd.* through its subsidiary.

Note 2: Guangzhou Zhiheng Education entered into the Structured Contracts with the Registered Shareholders, the OPCO Group and the Appointee(s).

THE STRUCTURED CONTRACTS

(a) Business Corporation Agreement

Parties	:	(i) Guangzhou Zhiheng Education;
		(ii) The OPCO Group; and
		(iii) The Registered Shareholders
Subject Matter	:	Pursuant to the Business Cooperation Agreement, Guangzhou Zhiheng Education shall provide, among others, technical, management support, consulting, public relationship maintenance, market research and marketing services necessary for conducting the private education activities of the OPCO Group, and in return, the OPCO Group shall agree to make payments accordingly.

To ensure the due performance of the Structured Contracts, the OPCO Group shall comply and procure its subordinate entities and units from time to time, to comply with the obligations as prescribed under the Business Cooperation Agreement.

Further, the Registered Shareholders and the OPCO Group shall undertake that, without the prior written consent of Guangzhou Zhiheng Education or its designated party, the Registered Shareholders and the OPCO Group shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of the OPCO Group; or (ii) on the ability of the Registered Shareholders and the OPCO Group to perform their obligations under the Structured Contracts.

Furthermore, the Registered Shareholders shall undertake to Guangzhou Zhiheng Education that, unless with the prior written consent of Guangzhou Zhiheng Education, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any member of the OPCO Group and its subordinate entities and units from time to time (the "**Competing Business**"); (ii) use information obtained from the OPCO Group and its subordinate entities and units from time to time for the Competing Business; and (iii) obtain any benefit from any Competing Business. The Registered Shareholders further consent and agree that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Guangzhou Zhiheng Education and/or other entities as designated by the Company shall be granted an option to require the legal entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts. If Guangzhou Zhiheng Education does not exercise such option, the Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

Term	:	The Business Cooperation Agreement shall take effect from the date of (i) its execution; and (ii) receipt of the approval, waiver and/or no comment letter on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance: (i) Guangzhou Zhiheng Education and/or its designated purchaser fully exercise their rights to acquire all the direct and/or indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or (ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Business Cooperation Agreement.

(b) Exclusive Technical Service and Management Consultancy Agreement

Parties	:	(i) Guangzhou Zhiheng Education (ii) The OPCO Group
Subject Matter	:	Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Guangzhou Zhiheng Education shall provide exclusive technical services and exclusive management consultancy services to the OPCO Group. In consideration of the exclusive technical services and exclusive management consultancy services provided by Guangzhou Zhiheng Education, (i) the Target School shall pay Guangzhou Zhiheng Education a service fee equal to all of its surplus from operations (after deducting all necessary costs, expenses, taxes, losses from the previous years (if required by the law), legally compulsory school development fund (if required by the law), and other statutory fees (if required by law)); and (ii) the OPCO and the Target Company shall pay Guangzhou Zhiheng Education a service fee equal to all of its surplus from operations (after deducting all necessary costs, expenses, taxes, losses from the previous years (if required by the law) and statutory provident fund (if required by the law)).

Term : The Exclusive Technical Service and Management Consultancy Agreement shall take effect from the date of (i) its execution; and (ii) receipt of the approval, waiver and/or no comment letter on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) Guangzhou Zhiheng Education and/or its designated purchaser fully exercise their rights to acquire all the direct and/or indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Exclusive Technical Service and Management Consultancy Agreement.

(c) Exclusive Call Option Agreement

Parties : (i) Guangzhou Zhiheng Education;

(ii) The Registered Shareholders; and

(iii) The OPCO Group

Subject Matter : Under the Exclusive Call Option Agreement, the Registered Shareholders shall irrevocably grant Guangzhou Zhiheng Education or its designated purchaser the exclusive right to purchase all and/or part of the direct and/or indirect equity interest and/or school sponsor's interests in the OPCO Group (the "**Equity/School Sponsor's Interest Call Option**"). The purchase price payable by Guangzhou Zhiheng Education or its designated purchaser in respect of the transfer of such equity interest and/or school sponsor's interests upon exercise of the Equity/School Sponsor's Interest Call Option shall be the lowest price permitted under the PRC laws and regulations. Guangzhou Zhiheng Education or its designated purchaser shall have the right to purchase such proportion of the equity interest and/or school sponsor's interest in the OPCO Group as it decides at any time during the term of the Exclusive Call Option Agreement.

In the event that the PRC laws and regulations allow Guangzhou Zhiheng Education and/or other foreign-owned entities or foreign entities designated by the Company to directly hold all or part of the equity interest and/or school sponsor's interest in the OPCO Group and operate private education business in the PRC, Guangzhou Zhiheng Education shall issue the notice of exercise of the Equity/School Sponsor's Interest Call Option as soon as practicable, and the percentage of school sponsor's interest purchased upon exercise of the School Sponsor's Interests Call Option shall not be lower than the maximum percentage then allowed to be held by Guangzhou Zhiheng Education and/or other foreign-owned entities or foreign entities designated by the Company under the PRC laws and regulations.

Term : The Exclusive Call Option Agreement shall take effect from the date of (i) its execution; and (ii) receipt of the approval, waiver and/or no comment letter on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) Guangzhou Zhiheng Education and/or its designated purchaser fully exercise their rights to acquire all the direct and/or indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Exclusive Call Option Agreement.

(d) Shareholders' Rights Entrustment Agreement

Parties : (i) Guangzhou Zhiheng Education;

(ii) The Registered Shareholders;

(iii) The OPCO; and

(iv) The Target Company

Subject Matter : Under the Shareholders' Rights Entrustment Agreement, the Registered Shareholders shall irrevocably authorise and entrust Guangzhou Zhiheng Education to exercise all of their rights as a shareholder of the OPCO, and the OPCO shall irrevocably authorise and entrust Guangzhou Zhiheng Education to exercise all of its rights as a shareholder of the Target Company to the extent permitted by the PRC laws. Those rights include, but not limited to:

(i) attend the shareholders' meetings of the OPCO and the Target Company;

(ii) exercise voting rights in respect of all matters requiring discussion and approval by shareholders;

(iii) convene extraordinary shareholders' meeting;

(iv) sign all minutes, resolutions or other documents which the shareholders of the OPCO and the Target Company are entitled to sign;

(v) instruct the directors and legal representatives of the OPCO and the Target Company to act in accordance with the instructions of Guangzhou Zhiheng Education or its designated person;

(vi) exercise all shareholders' right and voting rights as stipulated in the articles of association of the OPCO and the Target Company;

(vii) attend any registration, approval, consent, filing or delivery of documents to the State Administration for Market Regulation or other competent governmental authorities;

(viii) transfer or dispose in any form of any or all of the equity interest in of the OPCO and the Target Company; and

(ix) exercise any other rights granted to shareholders under the applicable PRC laws, regulations and articles of association of the OPCO and the Target Company.

In addition, the Registered Shareholders and the OPCO shall irrevocably agree that (i) Guangzhou Zhiheng Education may delegate its rights under the Shareholder's Rights Entrustment Agreement to the directors of Guangzhou Zhiheng Education from time to time or its designated person, without prior notice to or consent from the Registered Shareholders and the OPCO; and (ii) any person as successor of civil rights of Guangzhou Zhiheng Education or liquidator appointed by reason of subdivision, merger or liquidation of Guangzhou Zhiheng Education or other circumstances shall have authority to replace Guangzhou Zhiheng Education to exercise all its rights under the Shareholder's Rights Entrustment Agreement.

Term : The Shareholder's Rights Entrustment Agreement shall take effect from the date of (i) its execution; and (ii) receipt of the approval, waiver and/or no comment letter on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) Guangzhou Zhiheng Education and/or its designated purchaser fully exercise their rights to acquire all the direct and/or indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Shareholder's Rights Entrustment Agreement.

(e) Equity Pledge Agreement with the Registered Shareholders

Parties : (i) Guangzhou Zhiheng Education;

(ii) The Registered Shareholders; and

(iii) The OPCO

Subject Matter	:	Under the Equity Pledge Agreement with the Registered Shareholders, the Registered Shareholders shall unconditionally and irrevocably pledge and grant first priority security interests over all of their equity interest in the OPCO, accordingly, together with all related rights thereto to Guangzhou Zhiheng Education as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Guangzhou Zhiheng Education as a result of any event of default on the part of the Registered Shareholders and the OPCO Group and all expenses incurred by Guangzhou Zhiheng Education as a result of enforcement of the obligations of the Registered Shareholders and the OPCO Group under the Structured Contracts (the "**Secured Indebtedness A**").

In addition, without the prior written consent of Guangzhou Zhiheng Education, the Registered Shareholders shall not transfer the pledged equity interest or create further pledge or encumbrance over the pledged equity interest.

And upon occurrence of any events of default as stated in the Equity Pledge Agreement with the Registered Shareholders, Guangzhou Zhiheng Education shall have the right to exercise all its rights to remedies under the Structured Contracts by written notice to such Registered Shareholders in one or more of the following ways:

(i) to the extent permitted under the PRC laws and regulations, Guangzhou Zhiheng Education can request such Registered Shareholder(s) to transfer all or part of their equity interest in the OPCO to any entity or individual designated by Guangzhou Zhiheng Education at the lowest consideration permissible under the PRC laws and regulations, while such Registered Shareholder(s) shall irrevocably undertake that in the event that the consideration paid by Guangzhou Zhiheng Education or its designated purchaser for the transfer of all or part of the equity interests in the OPCO exceeds RMB0, such Registered Shareholder(s) shall jointly pay such excess amount in full to Guangzhou Zhiheng Education or its designated purchaser;

(ii) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds; and/or

(iii) dispose of the pledged equity interest in other manner to be agreed between such Registered Shareholder(s) and Guangzhou Zhiheng Education subject to applicable laws and regulations.

Term : The Equity Pledge Agreement with the Registered Shareholders shall take effect from the date of (i) its execution; and (ii) receipt of the approval, waiver and/or no comment letter on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) all contractual obligations under the Structured Contracts are fulfilled and Secured Indebtedness A are paid; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Equity Pledge Agreement with the Registered Shareholders.

(f) Equity Pledge Agreement with the OPCO

Parties : (i) Guangzhou Zhiheng Education;

(ii) The OPCO; and

(iii) The Target Company

Subject Matter : Under the Equity Pledge Agreement with the OPCO, the OPCO shall unconditionally and irrevocably pledge and grant first priority security interests over all of its equity interest in the Target Company, accordingly, together with all related rights thereto to Guangzhou Zhiheng Education as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Guangzhou Zhiheng Education as a result of any event of default on the part of the OPCO Group and all expenses incurred by Guangzhou Zhiheng Education as a result of enforcement of the obligations of the OPCO Group under the Structured Contracts (the "**Secured Indebtedness B**").

In addition, without the prior written consent of Guangzhou Zhiheng Education, the OPCO shall not transfer the pledged equity interest or create further pledge or encumbrance over the pledged equity interest.

And upon occurrence of any events of default as stated in the Equity Pledge Agreement with the OPCO, Guangzhou Zhiheng Education shall have the right to exercise all its rights to remedies under the Structured Contracts by written notice to the OPCO in one or more of the following ways:

(i) to the extent permitted under the PRC laws and regulations, Guangzhou Zhiheng Education can request the OPCO to transfer all or part of its equity interest in the Target Company to any entity or individual designated by Guangzhou Zhiheng Education at the lowest consideration permissible under the PRC laws and regulations, while the OPCO shall irrevocably undertake that in the event that the consideration paid by Guangzhou Zhiheng Education or its designated purchaser for the transfer of all or part of the equity interests in the Target Company exceeds RMB0, the OPCO shall pay such excess amount in full to Guangzhou Zhiheng Education or its designated purchaser;

(ii) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds; and/or

(iii) dispose of the pledged equity interest in other manner to be agreed between the OPCO and Guangzhou Zhiheng Education subject to applicable laws and regulations.

Term : The Equity Pledge Agreement with the OPCO shall take effect from the date of (i) its execution; and (ii) receipt of the approval, waiver and/or no comment letter on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) all contractual obligations under the Structured Contracts are fulfilled and Secured Indebtedness B are paid; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Equity Pledge Agreement with the OPCO.

(g) School Sponsor's and Directors' Entrustment Agreement

Parties	:	(i) Guangzhou Zhiheng Education; (ii) The Target Company; (iii) The Target School; and (iv) The Appointee(s)
Subject Matter	:	Under the School Sponsor's and Directors' Entrustment Agreement, the Target Company shall irrevocably authorise and entrust Guangzhou Zhiheng Education or its designated person to exercise all its rights as school sponsor of the Target School to the extent permitted by the PRC laws. In addition, the Appointee(s) shall irrevocably authorise and entrust Guangzhou Zhiheng Education or its designated person to exercise all his/her rights as a director of the Target School to the extent permitted by the PRC laws. Furthermore, the Target Company and the Appointee(s) irrevocably agree that (i) Guangzhou Zhiheng Education has the right to delegate its rights under the School Sponsor's and Directors' Entrustment Agreement to the directors of Guangzhou Zhiheng Education or its designated person, without prior notice to or consent from the Target Company or the Appointee(s); and (ii) any person as successor of civil rights of Guangzhou Zhiheng Education or liquidator appointed by reason of subdivision, merger or liquidation of Guangzhou Zhiheng Education or other circumstances shall have authority to replace Guangzhou Zhiheng Education to exercise all rights under the School Sponsor's and Directors' Entrustment Agreement.

Term	:	The School Sponsor's and Directors' Entrustment Agreement shall take effect from the date of (i) its execution; and (ii) receipt of the approval, waiver and/or no comment letter on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance: (i) Guangzhou Zhiheng Education and/or its designated purchaser fully exercise their rights to acquire all the direct and/or indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or (ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the School Sponsor's and Directors' Entrustment Agreement.

(h) School Sponsor's Powers of Attorney

Party	:	The Target Company
Subject Matter	:	The Target Company shall authorise and appoint Guangzhou Zhiheng Education, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as a school sponsor of the Target School. Guangzhou Zhiheng Education shall have the right to further delegate the rights so delegated to the directors of Guangzhou Zhiheng Education or its designated person. The Target Company shall irrevocably agree that the authorisation and appointment in the School Sponsor's Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of the Target Company's subdivision, merger, bankruptcy, reorganisation, dissolution of other similar events. The School Sponsor's Powers of Attorney shall constitute a part of the School Sponsor's and Directors' Entrustment Agreement.

(i) The Appointee(s)' Powers of Attorney

Parties	:	The Appointee(s)
Subject Matter	:	The Appointee(s) shall authorise and appoint Guangzhou Zhiheng Education, as his/her agent to act on her behalf to exercise or delegate the exercise of all his/her rights as a director of the Target School. Guangzhou Zhiheng Education shall have the right to further delegate the rights so delegated to the directors of Guangzhou Zhiheng Education or its designated person. Each of the Appointee(s) shall irrevocably agree that the authorisation and appointment provided in the Appointee(s)'s Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or similar events. The Appointee(s)'s Powers of Attorney shall constitute a part of the School Sponsor's and Directors' Entrustment Agreement.

(j) The Registered Shareholder(s)' Powers of Attorney

Parties	:	The Registered Shareholders
Subject Matter	:	Each of the Registered Shareholder(s) shall authorise and appoint Guangzhou Zhiheng Education, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as a registered equity holder of the OPCO. Guangzhou Zhiheng Education shall have the right to further delegate the rights so delegated to the directors of Guangzhou Zhiheng Education or its designated person. Each of the Registered Shareholder(s) shall irrevocably agree that the authorisation and appointment provided in the Registered Shareholder(s)' Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or similar events. The Registered Shareholder(s)' Powers of Attorney shall constitute a part of the Shareholder's Rights Entrustment Agreement.

(k) Spouse Undertakings

Parties	:	The spouse of each of the Registered Shareholder(s)
Subject Matter	:	The spouse of each of the Registered Shareholder(s), who is a married natural person, shall execute a spouse undertaking to undertake that, among others:

(i) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the relevant Registered Shareholder(s), and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on her direct and/or indirect equity interest and/or school sponsors' interest in the OPCO Group, pledge or transfer her direct and/or indirect equity interest and/or school sponsor's interests in the OPCO Group, or the disposal of her direct and/or indirect equity interest and/or school sponsor's interest in the OPCO Group in any other forms;

(ii) the spouse acknowledges that the direct and/or indirect equity interest and/or school sponsors' interest in the OPCO Group and the rights attached thereon shall belong to the relevant Registered Shareholder(s) and shall not constitute common assets with such spouse. The spouse shall not have any equity interest and/or school sponsor's interest in the OPCO Group and shall not have any claim over those interest in the future;

(iii) the spouse has not participated, is not participating and shall not, in the capacity of the spouse of the relevant Registered Shareholder(s), participate in the operation, management, liquidation, dissolution and other matters in relation to the OPCO Group for whatever reasons (including the death or bankruptcy of the relevant Registered Shareholders or in case of divorce); and

(iv) any undertaking, confirmation, consent and authorisation under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events.

DISPUTE RESOLUTIONS

Each of the Structured Contracts provides that:

(i) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(ii) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the Guangzhou Arbitration Commission in Guangzhou, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(iii) the Guangzhou Arbitration Commission shall have the right to award remedies over the equity and/or school sponsor's interest in the OPCO Group and property interest and other assets of the OPCO Group, impose injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of the OPCO Group; and

(iv) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of the PRC, Hong Kong, the Cayman Islands and the place where the principal assets of the Company and the OPCO Group are located shall be considered as having jurisdiction for the above purposes.

LIQUIDATION

Pursuant to the Business Cooperation Agreement, in the event of dissolution or liquidation of the OPCO Group pursuant to the applicable PRC laws, the Registered Shareholder(s) shall undertake that, among others, Guangzhou Zhiheng Education shall have right to exercise all school sponsor's rights on behalf of the Target Company and/or exercise all equity holder's rights on behalf of the OPCO and/or exercise all equity holders' rights on behalf of the Registered Shareholder(s), and shall instruct the OPCO Group to transfer assets received under the PRC laws directly to Guangzhou Zhiheng Education and/or its designee(s). Furthermore, Guangzhou Zhiheng Education and/or its designee(s) shall have been irrevocably authorised and entrusted to exercise the rights of the Target Company as the school sponsor of the Target School and the rights of the Appointee(s) as a director of the Target School and the rights of the registered shareholder(s) as an equity holder of the OPCO.

CONFLICT OF INTERESTS

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the Registered Shareholders and the Group (if any). Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders shall undertake to Guangzhou Zhiheng Education that, unless with the prior written consent of Guangzhou Zhiheng Education, the Registered Shareholders (severally or jointly) shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Guangzhou Zhiheng Education shall be granted an option to (i) require the legal entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts; or (ii) require the legal entity engaging in the Competing Business to cease operation.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO Group.

In addition to the internal control measures as provided in the Structured Contracts, the Company has implemented through Guangzhou Zhiheng Education, additional internal control measures against the OPCO Group as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

Management controls

(i) The Group has appointed representatives (the "**Representatives**") to the respective board of directors of the OPCO Group and each of the Representatives is a third party independent to the OPCO Group and its associates. The Representatives are required to conduct monthly reviews on the operations of the OPCO Group and shall submit the monthly reviews to the Board. The Representatives are also required to check the authenticity of the monthly management accounts of the OPCO Group;

(ii) The Representatives have established a team who frequently visits the OPCO Group and is actively involved in various aspects of the daily managerial and operational activities of the OPCO Group;

(iii) Upon receiving notification of any material events of the OPCO Group by the respective Representatives, the Registered Shareholders must report to the Board or the company secretary of the Company, who must in turn report to the Board as soon as possible;

(iv) The financial team of the Company/Representatives shall conduct regular site visits to the OPCO Group and conduct personnel interviews every six months and submit reports to the Board; and

(v) All seals, chops, incorporation documents and all other legal documents of the OPCO Group must be kept at the office of Guangzhou Zhiheng Education.

Financial controls

(i) The financial team of the Company shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO Group for review. Upon discovery of any suspicious matters, the financial team of the Company must report to the Board;

(ii) If the payment of the service fees from the OPCO Group to Guangzhou Zhiheng Education is delayed, the financial team of the Company must meet with the Registered Shareholders to investigate and should report any suspicious matters to the Board;

(iii) The OPCO Group must submit copies of latest bank statements for every bank account of the OPCO Group within 15 days after each month end; and

(iv) The OPCO Group must assist and facilitate the Company to conduct quarterly on-site internal audit on the OPCO Group.

Legal review

(i) The Representative(s) will consult the Company's PRC legal advisers from time to time to check if there are any legal developments in the PRC affecting the Structured Contracts, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made; and

(ii) The Board shall regularly review and discuss the compliance matters and regulatory enquiries from regulatory authorities in respect of the implementation and performance of the Structured Contracts (if any).

EFFECT AND LEGALITY OF THE STRUCTURED CONTRACTS

Compliance of the Structured Contracts with the PRC laws, rules and regulations

As advised by the PRC legal advisers of the Company, subject to potential restrictions and conditions stipulated by future laws, regulations and rules or unless otherwise specified under the Structured Contracts, upon the execution of the Structured Contracts, each of the Structured Contracts shall be legal, effective, binding among the parties thereto (save for the dispute resolution clauses as contained in the Structured Contracts, further details of which are set out in the paragraph headed "Certain terms of the Structured Contracts may not be enforceable under the PRC laws" under the section headed "RISK FACTORS IN RELATION TO THE STRUCTURED CONTRACTS" and the section headed "(2) THE CONTRACTUAL ARRANGEMENTS — DISPUTE RESOLUTIONS" in this announcement) and shall not contravene the provisions that "malicious collusion is conducted to damage others' legitimate rights and interests (行為人與相對人惡意串通，損害他人合法權益)" as stipulated in Civil Code of the PRC (《中華人民共和國民法典》).

Dispute resolutions in the Structured Contracts

In connection with the dispute resolution method as set out in the Structured Contracts and the practical consequences, the Company is advised by its PRC legal advisers that, under the PRC laws, (a) an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order; (b) courts or judicial authorities in the PRC generally would not award remedies over the equity interest, school sponsor's interest, property interest and/or other assets of the OPCO Group, grant injunctive relief or order winding-up of the OPCO Group as interim remedies, before there is any final outcome of arbitration; and (c) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

The Board's view on the Structured Contracts

Based on the above, the Board (including all independent non-executive Directors) is of the view that the Structured Contracts are narrowly tailored to achieve the business purpose of the OPCO Group and to manage any potential conflict with and are enforceable under the relevant PRC laws and regulations. The Directors have discussed and checked with the auditors of the Company and under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the OPCO Group in its consolidated accounts if the Structured Contracts are entered into. The Structured Contracts enable the Company to consolidate the financial results of the OPCO Group which engages in the operation of secondary vocational training services, where the PRC laws and regulations impose the Qualification Requirements on the foreign owners in the operation of secondary vocational training services and withholding government approval in respect of Sino-foreign ownership. The adoption of the Contractual Arrangements is therefore essential for the Company to carry out the secondary vocational training services through the OPCO Group and to receive and enjoy the economic benefits derived from the OPCO Group.

The Structured Contracts also provide that Guangzhou Zhiheng Education will unwind the Structured Contracts as soon as the relevant PRC laws and regulations governing foreign investment in the operation of secondary vocational training services are issued which allow Guangzhou Zhiheng Education to register itself as the equity holder of the OPCO Group. The Board further believe that save as disclosed in this announcement, the Structured Contracts are enforceable under the relevant PRC laws, and that the Structured Contracts will provide a mechanism that enables Guangzhou Zhiheng Education to exercise effective control over the OPCO.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the announcement, the OPCO has not encountered any interference or encumbrance from any governing bodies in operating its business.

In light of the above, the Board (including the independent non-executive Directors) are of the view that the terms of the Structured Contracts and the Contractual Arrangements are fair and reasonable, are conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Board has approved the Structured Contracts and the Contractual Arrangements and the transactions contemplated thereunder. Mr. Liu Yung Chau (廖榕就), Ms. Chen Yuan, Rita (陳練瑛), Mr. Liu Yung Kan (廖榕根), and Ms. Liu Yi Man (廖伊曼) had abstained from voting in the board meeting during which the Board approved the Structured Contracts and the Contractual Arrangements and the transactions contemplated thereunder to avoid any potential conflict of interests.

RISK FACTORS IN RELATION TO THE STRUCTURED CONTRACTS

The PRC government may find that the Structured Contracts do not comply with applicable PRC laws and regulations

If the Structured Contracts that establish the structure for operating business of the OPCO Group are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the Ministry of Human Resources and Social Security of the PRC, which regulates the secondary vocational training services industry, would have broad discretion in dealing with such violations:

(i) Revoking the business and operating licenses of the OPCO Group;

(ii) Discontinuing or restricting the operations of any related party transactions among the members of the OPCO Group;

(iii) Imposing fines or other requirements with which the OPCO Group may not be able to comply with;

(iv) Requiring the OPCO Group to restructure their operations in such a way as to compel them to establish new entities, re-apply for the necessary licenses or relocate their business, staff and assets; or

(v) Imposing additional conditions or requirements with which the OPCO Group may not be able to comply with.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the current corporate structure, corporate governance and business operations

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and has taken effect on 1 January 2020 and became the legal foundation for foreign investment in the PRC. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by the PRC legal advisers of the Company, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, in the extreme case scenario, the Company may be required to unwind the Structured Contracts and/or dispose of the OPCO Group, which could have a material and adverse effect on the business, financial condition and result of operations of the Group.

The Structured Contracts may not be as effective in providing control over the OPCO Group as direct ownership

The Group relies on contractual arrangements under the Structured Contracts with the OPCO Group to operate the business. However, as these Structured Contracts stand now, if the Target School or the Target Company or the OPCO or the Registered Shareholders fail to perform their respective obligations under these Structured Contracts, the Group cannot exercise school sponsor's rights to direct such corporate action as the direct ownership would otherwise entail.

The owners of the OPCO Group may have conflict of interests with the Group, which may materially and adversely affect the Group's business and financial condition

The Group's control over the OPCO Group is based upon the Structured Contracts with the OPCO Group, the Registered Shareholders and the Appointee(s). The Target Company is the direct holder of the school sponsor's interest in the Target School. The Target Company or the OPCO or the Registered Shareholders may potentially have conflict of interests with the Group and breach their contracts or undertakings with the Group if it would further their own interest or if they otherwise act in bad faith. In the event that such conflict of interests cannot be resolved in favor of the Group, the Group would have to rely on legal proceedings which could result in disruption to its business and the Group is subject to any uncertainty as to the outcome of such legal proceedings.

The Group may incur substantial cost on the Group's part to exercise the option to acquire the school sponsor's interest in the Target School and equity interest in the OPCO and the Target Company

Pursuant to the Exclusive Call Option Agreement, Guangzhou Zhiheng Education or its designated purchaser has the exclusive right to purchase all or part of the equity interest and/or school sponsor's interests in the OPCO Group at the lowest price permitted under the PRC laws and regulations. In the event that Guangzhou Zhiheng Education or its designated purchaser acquires such school sponsor's interest or equity interest and the relevant PRC authorities determine that the purchase price for acquiring the school sponsor's interest or equity interest is below market value, Guangzhou Zhiheng Education or its designated purchaser may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect the business, financial condition and results of operations of the Group.

The Structured Contracts may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed

Under the PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Technical Service and Management Consultancy Agreement the Group have with the OPCO Group does not represent an arm's length price and adjust any of those entities' income in the form of a transfer pricing adjustment which could increase tax liabilities. In addition, the PRC tax authorities may have reason to believe that Guangzhou Zhiheng Education or the OPCO Group are dodging their tax obligations, and the Group may not be able to rectify such incident within the limited timeline required by the PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on the Group for under-paid taxes, which could materially and adversely affect the business, financial condition and results of operations of the Group.

Certain terms of the Structured Contracts may not be enforceable under the PRC laws

The Structured Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Guangzhou Arbitration Commission in Guangzhou, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the equity and/or school sponsor's interest in the OPCO Group and property interest and other assets of the OPCO Group, grant injunctive relief and/or order winding up of the OPCO Group. In addition, the Structured Contracts contain provisions to the effect that courts in the PRC, Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, as advised by the PRC legal advisers, the above-mentioned provisions contained in the Structured Contracts may not be enforceable. Under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any school sponsor's interest or equity interest in the OPCO Group in case of disputes. Therefore, such remedies may not be available to the Group, notwithstanding the relevant contractual provisions contained in the Structured Contracts.

The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Structured Contracts and the transactions contemplated thereunder. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of OPCO Group, the business and financial condition of the Group may be adversely affected. However, the Group will implement relevant internal control measures to reduce the operational risk.

Economic risks Guangzhou Zhiheng Education bears as the primary beneficiary of the OPCO Group, financial support to the OPCO Group and potential exposure of the Group to losses

As the primary beneficiary of the OPCO Group, Guangzhou Zhiheng Education will share both profit and loss of the OPCO Group and bear economic risks which may arise from difficulties in the operation of the OPCO Group's businesses. The Group may have to provide financial support in the event of financial difficulty of the OPCO Group. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the OPCO Group and the need to provide financial support to it.

IMPLICATIONS OF THE CONTRACTUAL ARRANGEMENTS UNDER THE LISTING RULES

As at the date of this announcement, the OPCO is owned as to 60% by Ms. Liu Meiyung (廖美容) and 40% by Ms. Chen Wanling (陳婉玲). Ms. Liu Meiyung is the sister of each of Mr. Liu Yung Chau (廖榕就) (a controlling shareholder of the Company, an executive Director and the chairman of the Board) and Mr. Liu Yung Kan (廖榕根) (a non-executive Director), the sister-in-law of Ms. Chen Yuan, Rita (陳練瑛) (a controlling shareholder of the Company and an executive Director) and the aunt of Ms. Liu Yi Man (廖伊曼) (an executive Director and the chief executive officer of the Company). Ms. Chen Wanling is the sister of Ms. Chen Yuan, Rita, the sister-in law of Mr. Liu Yung Chau and the aunt of Ms. Liu Yi Man. Therefore, Ms. Liu Meiyung and Ms. Chen Wanling are connected persons at the issuer level of the Company, and the OPCO, the Target Company and the Target School, each being a majority-controlled company/entity held by Ms. Liu Meiyung and Ms. Chen Wanling, are/will be connected persons at the issuer level of the Company.

After the Acquisition, the OPCO will be treated as if a subsidiary of the Company, and the Registered Shareholders will be parties to several agreements contemplated under the Structured Contracts. The entering into of the Structured Contracts and the Contractual Arrangements, and the transactions contemplated thereunder will constitute continuing connected transactions of the Company upon the Structured Contracts becoming effective, and are subject to announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER IN RESPECT OF THE CONTRACTUAL ARRANGEMENTS

Notwithstanding the entering into of the Structured Contracts constitute continuing connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules, the Directors consider that:

(a) the Structured Contracts, taken as a whole, permit the results and financial operations of the OPCO Group to be consolidated by the Group as if it was a subsidiary of the Company, resulting in all of the economic benefits of its business flowing to the Group, and thus places the Group in a special position in relation to connected transaction rules;

(b) it is in the interests of the Company to ensure that the Group will continue to receive and enjoy the economic benefits derived from the OPCO Group without setting any annual cap which may otherwise limit the economic benefits received by the Group, via Guangzhou Zhiheng Education, and/or expiration of the terms of the Contractual Arrangements which may otherwise lead to the Group losing control over the OPCO Group;

(c) it would be unduly burdensome and impracticable, and would add unnecessary administration costs to the Company, for all transactions contemplated under the proposed Contractual Arrangements to be subject to strict compliance with the requirements set out under Rules 14A.36, 14A.52 and 14A.53 of the Listing Rules, namely (i) the requirement of the independent shareholders' approval for the Structured Contracts; (ii) the requirement of limiting the term of the Structured Contracts to three years or less; and (ii) the requirement of setting a maximum aggregate annual value (that is, an annual cap) for the fees payable by the OPCO Group to Guangzhou Zhiheng Education under the proposed Contractual Arrangements;

(d) the Registered Shareholders, who are interested in 100% equity interest of the OPCO, will not receive any economic benefits from the operation by the OPCO under the proposed Contractual Arrangements;

(e) based on the above, there are no genuine continuing connected transactions while the Structured Contracts merely constitute technical implications of continuing connected transactions owing to the typical structure of contractual arrangements;

(f) the Directors (including the independent non-executive directors) are of the view that the Structured Contracts are fundamental to the Group's legal structure and operation of its business. Such transactions are entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(g) the entering into of the Structured Contracts and the transactions contemplated thereunder are incidental to and thereby form part of the transactions contemplated under the Acquisition Agreement, and shall not be subject to more stringent requirements than that of the Acquisition itself.

In view of the above, the Company will apply for a waiver from (i) the requirement of the independent shareholders' approval for the Structured Contracts under Rule 14A.36; (ii) fixing the term of the Structured Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (iii) setting a maximum annual cap for the services fee payment by the OPCO Group to Guangzhou Zhiheng Education under Rule 14A.53 of the Listing Rules.

Pelican Financial has been appointed as the Independent Financial Adviser to advise the Board and to provide an opinion in relation to the Contractual Arrangements, which exceeds three years, is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration, in accordance with Rule 14A.52 of the Listing Rules.

OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement governing a continuing connected transaction must not exceed three years, except in special circumstances where the nature of the transaction requires a longer period. In this respect, as the duration of the Contractual Arrangements exceeds three years, Pelican Financial has been appointed as the independent financial adviser of the Company to explain why the Contractual Arrangements require a longer period and confirm whether it is a normal business practice for contracts of this type to be of such duration.

The Independent Financial Adviser is of the opinion that a longer period without a fixed term is required for the Contractual Arrangements to allow the Group to enjoy the economic benefits thereunder as long as the Contractual Arrangements are effective, and it is a normal business practice for contracts of this type to be of such duration.

In arriving at its opinion, the Independent Financial Adviser has considered the following principal factors and reasons:

(i) The Target School is a private school registered as a private non-enterprise unit under the laws of the PRC, and secondary vocational training services are subject to restrictions on foreign ownership under the relevant PRC laws and regulations;

(ii) Without the Contractual Arrangements, the Company would not be able to address the aforementioned foreign ownership restrictions, exercise its effective control over the finance and operations of the OPCO Group without registered equity ownership, and consolidate the financial results of the OPCO Group into its accounts as if it were a subsidiary. The adoption of the Contractual Arrangements is therefore essential for the Company to carry out the "restricted" secondary vocational training services through the OPCO Group;

(iii) The Contractual Arrangements will provide a long-term binding contractual relationship between the Company and the OPCO Group and ensure the Company can enjoy the future economic interests and benefits derived from the OPCO Group while complying with the relevant PRC laws and regulations;

(iv) As illustrated in point (v) below, it is not uncommon for foreign companies to enter into arrangements similar to the Contractual Arrangements in order to conduct businesses which are subject to restrictions on foreign ownership under the relevant PRC laws and regulations; and

(v) In assessing the fairness and reasonableness of the duration of the Contractual Arrangements of more than three years, the Independent Financial Adviser conducted independent research on companies listed on the Stock Exchange which (i) had adopted similar contractual arrangements that enabled them to obtain control over the operating businesses of PRC companies in which foreign investment is restricted by the relevant PRC laws and regulations (the "**Market Contractual Arrangements**"); and (ii) had published announcements on these contractual arrangements during the period between 1 December 2020 and the date of this letter, being a period of more than one year.

The Independent Financial Adviser considered the Market Contractual Arrangements to be an appropriate reference for general market practices and noted that among the 14 Market Contractual Arrangements identified, 12 of them had a duration which ranged from 10 years to no fixed term, while two of them could be automatically renewed after their initial 3-year term. The Contractual Arrangements, which are proposed to have no fixed term and exceed three years, therefore align with the market practices.

INFORMATION OF THE PARTIES TO THE CONTRACTUAL ARRANGEMENTS

The Company and the Group

Please refer to the section headed "(1) THE ACQUISITION — INFORMATION ABOUT THE PARTIES TO THE ACQUISITION AGREEMENT — The Company and the Group" above.

The OPCO Group

For details of Nanning Yuzhuoqin Education, please refer to the section headed "(1) THE ACQUISITION — INFORMATION ABOUT THE PARTIES TO THE ACQUISITION AGREEMENT — Nanning Yuzhuoqin Education" above.

For details of Target Company and Target School, please refer to the section headed "(1) THE ACQUISITION — INFORMATION ABOUT THE PARTIES TO THE ACQUISITION AGREEMENT — The Vendors Group" in this announcement.

The Registered Shareholders

Ms. Liu Meiyung is a PRC national. For details of her other relationship with the Company and its connected persons, please refer to the section headed "(2) THE CONTRACTUAL ARRANGEMENTS — IMPLICATIONS OF THE CONTRACTUAL ARRANGEMENTS UNDER THE LISTING RULES" in this announcement.

Ms. Chen Wanling is a PRC national. For details of her other relationship with the Company and its connected persons, please refer to the section headed "(2) THE CONTRACTUAL ARRANGEMENTS — IMPLICATIONS OF THE CONTRACTUAL ARRANGEMENTS UNDER THE LISTING RULES" in this announcement.

PUBLICATION OF THE STRUCTURED CONTRACTS

To promote transparency, the Structed Contracts will be published on the website of the Company.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Shares of the Target Company
"Acquisition Agreement"	the acquisition agreement dated 14 December 2021 entered into between, among others, Guangzhou Zhiheng Education, Shenzhen Zhuochuang Education, Nanning Yuzhuoqin Education and the Target Group in relation to the Acquisition
"Appointee(s)"	the appointee(s) to be appointed as directors of the Target School by the Target Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day excluding Saturday, Sunday and any statutory holiday of the PRC (including the holiday as temporarily specified by the competent government authority)
"Company"	Edvantage Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 0382)
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Acquisition Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	the contractual arrangements contemplated under the Structured Contracts through which the Company will indirectly own and control any part of the business of the OPCO Group
"Director"	the director(s) of the Company

"Group"	the Company and its subsidiaries
"Guangzhou Zhiheng Education"	Guangzhou Zhiheng Education Consulting Co., Ltd* (廣州智蘅教育諮詢有限公司) (formerly named as Guangzhou Zhiheng Education Development Co., Ltd.* (廣州智蘅教育發展有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Material Adverse Change"	any event, fact, condition or change which has or, by reasonable expectation, may have material adverse impact or prejudice on the continuous operations, school management, business operation, prospects of development, financial conditions, assets or liabilities of the Target Group
"Nanning Yuzhuoqin Education"	Nanning Yuzhuoqin Education Development Co., Ltd.* (南寧市宇卓琴教育發展有限公司), a company established in the PRC with limited liability
"OPCO Group"	the OPCO, the Target Company and the Target School
"Pelican Financial" or "Independent Financial Adviser"	Pelican Financial Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to explain why the Contractual Arrangements require a longer period and confirm whether it is a normal business practice for contracts of such type to be of such duration
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules
"PRC"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement

"Registered Shareholders"	Liu Meiyung (廖美容), the sister of each of Mr. Liu Yung Chau (廖榕就) (a controlling shareholder of the Company, an executive Director and the chairman of the Board) and Mr. Liu Yung Kan (廖榕根) (a non-executive Director), the sister-in-law of Ms. Chen Yuan, Rita (陳練瑛) (a controlling shareholder of the Company and an executive Director) and the aunt of Ms. Liu Yi Man (廖伊曼) (an executive Director and the chief executive officer of the Company), and Chen Wanling (陳婉玲), the sister of Ms. Chen Yuan, Rita, the sister-in law of Mr. Liu Yung Chau and the aunt of Ms. Liu Yi Man
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	100% of the entire equity interest of the Target Company
"Share(s)"	ordinary share(s) of US$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holders of the Shares
"Shenzhen Zhuochuang Education" or "OPCO"	Shenzhen Qianhai Zhuochuang Education Investment Co., Ltd.* (深圳前海卓創教育投資有限公司), a company established in the PRC with limited liability, which is owned as to 60% by Liu Meiyung (廖美容) and 40% by Chen Wanling (陳婉玲)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, (i) the Business Cooperation Agreement; (ii) Exclusive Technical Service and Management Consultancy Agreement; (iii) the Exclusive Call Option Agreement; (iv) the Shareholders' Rights Entrustment Agreement; (v) the Equity Pledge Agreement with the Registered Shareholders; (vi) the Equity Pledge Agreement with the OPCO; (vii) the School Sponsor's and Directors' Entrustment Agreement; (viii) the School Sponsor's Powers of Attorney; (ix) the Appointee(s)' Powers of Attorney; (x) the Registered Shareholder(s)' Powers of Attorney; and (xi) the Spouse Undertakings

“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“Target Company”	Guangdong Sun City Industrial Co., Ltd.* (廣東太陽城實業有限公司), a company established in the PRC with limited liability
“Target Group”	the Target Company and the Target School
“Target School”	Guangdong Huashang Technical School * (廣東華商技工學校), a private school registered as a private non-enterprise unit under the laws of the PRC, which is wholly-owned by the Target Company
“Transaction Documents”	the Acquisition Agreement and all such agreements, documents and certificates entered or to be entered into for the completion of the transactions contemplated under the Acquisition Agreement
“US$”	United States dollars, the lawful currency of the United States of America
“Vendors Group”	Nanning Yuzhuoqin Education and the Target Group
“%”	per cent

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

Hong Kong, 14 December 2021

For purpose of this announcement, the exchange rate of RMB0.82 = HK$1 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

The English translation of Chinese names or words in this announcement, where indicated by “”, are 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. 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.