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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement (“**Announcement**”) of Edvantage Group Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) dated 30 August 2021 in relation to renewal of continuing connected transactions. Unless otherwise specified, capitalised terms used herein shall have the same meaning defined in the Announcement.

The Company would like to provide potential investors and shareholders of the Company with further information in respect of the 2021 Agreements.

PRICING POLICY

Australia Lease (2019) Framework Agreement

As disclosed in the Announcement, the rents under the Australia Lease (2019) Framework Agreement are determined based on arm’s length negotiations between the parties with reference to the prevailing market rental quotations of similar properties in the same vicinity from Independent Third Parties, and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties.

Whilst there is no specific pricing terms or formula set out in the Australia Lease (2019) Framework Agreement, to ensure that the rents to be paid by the Group under the Australia Lease (2019) Framework Agreement are on normal commercial terms and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties, the relevant lessee/licensee, being member of the Group, shall, before entering into specific tenancy agreements with the landlord, compare the market data for rent payables from Independent Third Parties of the Company for comparable tenancies/licenses, with reference to the information and opinion from an independent property valuer, as more detailed in the section headed “INTERNAL CONTROL MEASURES” below.

PRC Lease (2021 Renewal) Framework Agreement

As disclosed in the Announcement, the rents under the PRC Lease (2021 Renewal) Framework Agreement are determined based on arm’s length negotiations between the parties with reference to the prevailing market rental quotations of similar properties with reference to the above arrangements in the same vicinity from Independent Third Parties and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties.

Whilst there is no specific pricing terms or formula set out in the PRC Lease (2021 Renewal) Framework Agreement, to ensure that the rents to be paid by the Group under the PRC Lease (2021 Renewal) Framework Agreement are on normal commercial terms and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties, the relevant lessee/licensee, being member of the Group, shall, before entering into specific tenancy agreements with the landlord, compare the market data for rent payables from Independent Third Parties of the Company for comparable tenancies/licenses, with reference to the information and opinion from an independent property valuer, as more detailed in the section headed “INTERNAL CONTROL MEASURES” below.

Hotel Service (2021 Renewal) Framework Agreement

As disclosed in the Announcement, the fees for the Hotel Services shall be determined after arm’s length negotiations between the parties with reference to the type of hotel services required and the estimated number of guests involved in a particular event. The service fees and calculation method shall be agreed between the parties based on the specific type of services provided in each transaction. In all instances, the fees for the Hotel Services shall be based on comparable market rates charged by Independent Third Parties for similar hotel services with comparable proximity, and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties.

Whilst there is no specific pricing terms or formula set out in the Hotel Service (2021 Renewal) Framework Agreement, to ensure that the service fees to be paid by the Group under the Hotel Service (2021 Renewal) Framework Agreement are on normal commercial terms and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties, the relevant users of the Hotel Services, being member of the Group, shall, before entering into specific service agreements with the service provider, compare the market data for service fees from Independent Third Parties of the Company for comparable services as more detailed in the section headed “INTERNAL CONTROL MEASURES” below.

Vehicle Service (2021 Renewal) Framework Agreement

As disclosed in the Announcement, the fees for the Vehicle Services shall be determined after arm’s length negotiations between the parties with reference to the nature of the services and type of vehicles involved. The service fees and calculation method shall be agreed between the parties based on the specific type of services provided in each transaction. In all instances, the fees for the Vehicle Services shall be based on comparable market rates available to us from Independent Third Parties for similar services, and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties.

Whilst there is no specific pricing terms or formula set out in the Vehicle Service (2021 Renewal) Framework Agreement, to ensure that the service fees to be paid by the Group under the Vehicle Service (2021 Renewal) Framework Agreement are on normal commercial terms and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties, the relevant users of the Vehicle Services, being member of the Group, shall, before entering into specific service agreements with the service provider, compare the market data for service fees from Independent Third Parties of the Company for comparable services as more detailed in the section headed “INTERNAL CONTROL MEASURES” below.

Travel (2021 Renewal) Framework Agreement

As disclosed in the Announcement, the fees for the Booking Services shall be determined after arm’s length negotiations between the parties with reference to the type of bookings and the number of bookings involved. The service fees and calculation method shall be agreed between the parties based on the specific type of services provided in each transaction. In all instances, the fees for the Booking Services shall be based on comparable market rates charged by Independent Third Parties for similar services, and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties.

Whilst there is no specific pricing terms or formula set out in the Travel (2021 Renewal) Framework Agreement, to ensure that the service fees to be paid by the Group under the Travel (2021 Renewal) Framework Agreement are on normal commercial terms and on terms no less favourable from the perspective of the Group than those offered by Independent Third Parties, the relevant users of the Booking Services shall compare the market data for service fees from Independent Third Parties of the Company for comparable services as more detailed in the section headed “INTERNAL CONTROL MEASURES” below.

Technical School Trademark (2021 Renewal) Agreement

As disclosed in the Announcement, the annual licensing fee payable for the Huashang Trademark under the Technical School Trademark (2021 Renewal) Agreement is 2% of operating profits of Huashang Technical School, subject to the annual cap of the Technical School Trademark (2021 Renewal) Agreement.

Also, it has been disclosed in the Announcement that the licensing fee payable for the Huashang Trademark is determined following arm’s length negotiations between the parties with reference to the historical and the expected annual gross revenues of Huashang Technical School, the primary user of the Huashang Trademark.

Technical School Lease (2021 Renewal) Framework Agreement and Property Management (2021 Renewal) Framework Agreement

As disclosed in the Announcement, the aggregate fees under the Technical School Lease (2021 Renewal) Framework Agreement and Property Management (2021 Renewal) Framework Agreement were determined based on arm’s length negotiations between the parties with reference to (i) the prevailing market rates of rent for similar premises in the same vicinity used for similar purposes and (ii) the prevailing market rates of various property management services for premises in the same vicinity used for similar purposes, on terms no less favourable from the perspective of the Group than those offered to Independent Third Parties.

Whilst there is no specific pricing terms or formula set out in the Technical School Lease (2021 Renewal) Framework Agreement and Property Management (2021 Renewal) Framework Agreement, to ensure the rents/management fees to be received by the Group are on normal commercial terms, the relevant lessor/licensor, being member of the Group, shall, before entering into specific tenancy/property management agreements with the lessee/licensee, compare the market data for rent/management fee receivables from Independent Third Parties of the Company for comparable tenancies/licenses/property management services, with reference to the information and opinion from an independent property valuer, as more detailed in the section headed “INTERNAL CONTROL MEASURES” below.

INTERNAL CONTROL MEASURES

General

Save as otherwise disclosed in this announcement, in respect of all continuing connected transactions of the Group, the Group has adopted the following internal control procedures:

- (1) Before conducting any transactions contemplated under, or enter into any sub-contract pursuant to, an agreement for continuing connected transactions, the internal control unit of the Group would review the terms of the proposed transactions and the draft sub-contract to ensure that the transactions would be conducted in accordance with the terms of the agreement and in accordance with the Company's pricing policy;
- (2) Before conducting any transactions with connected persons, the internal control unit would confirm that the Group still has sufficient unused annual caps for carrying out the relevant continuing connected transactions. The internal control unit would on a monthly basis review the continuing connected transactions carried out in the month under review to assess, and compile a monthly report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreement and the Company's pricing policy, (ii) whether the transactions have been conducted on normal commercial terms and on terms no less favourable than those on which the Company conducted with Independent Third Parties and (iii) the transactions amount during the month under review, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. In the report, the forecasted transactions amount for the next three months would also be set out. If it is anticipated that the annual caps may be exceeded if the Company is to carry out the proposed transactions, it would take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules before entering into the proposed transactions.

Lease Agreements

In respect of continuing connected transactions contemplated under the Australia Lease (2019) Framework Agreement, PRC Lease (2021 Renewal) Framework Agreement and Technical School Lease (2021 Renewal) Framework Agreement (“**Lease Agreements**”), the Group further adopts the following internal control procedures in addition to the general procedures:

1. To ensure that the transactions under the Lease Agreements are on normal commercial terms and on terms no less favourable from the perspective of the Group than those available to and/or offered by Independent Third Parties, every time before the relevant member of the Group engages the relevant member of the respective counterparty for renting, leasing and/or licensing, sharing and/or making available the use of certain properties which the relevant lessor/licensor owns, the operation unit of the relevant member of the Group will examine the draft contract for the relevant properties for the engagement to confirm that they are capable to meet the needs of the lessee/licensee.
2. The internal control unit will then examine the terms of the draft contract for the relevant properties to make sure that the terms are in compliance with the Lease Agreements and the overall terms of the engagement are no less favourable from the perspective of the Group than those which have been offered to the Group and/or available to Independent Third Parties. Relevant member of the Group will only enter into the contract for renting, leasing and/or licensing, sharing and/or making available the use of certain properties which the relevant lessor/licensor owns with the relevant member of the respective counterparty after receiving the approval by the internal control unit which confirms that the overall terms are no less favourable from the perspective of the Group than those which have been offered to the Group and/or available to Independent Third Parties. When evaluating the terms of a draft contract for renting, leasing and/or licensing, sharing and/or making available the use of certain properties and vehicles which the relevant lessor/licensor owns, the internal control unit will endeavour to obtain rental/licence fee payable to or rental/licence fee receivable from Independent Third Parties for comparable tenancies/licenses and make comparisons. In order to maintain a fair assessment of the overall terms, the Group will obtain quotations from at least 2 Independent Third Parties (who, as the Group considers, are able to offer comparable tenancies/licenses) in respect of each type of tenancy/license periodically to make sure that the rental or license fees payable by the Group under the Lease Agreements are not higher than those offered to the Group by Independent Third Parties under prevailing local market conditions; and that the rental or license fee receivable by the Group under the Lease Agreements are not lower than those offered to the Group by Independent Third Parties under prevailing local market conditions (as the case may be).

3. The internal control unit of the Group will conduct a periodic review on whether the Group still has sufficient unused annual caps for carrying out the continuing connected transactions during the term of the Lease Agreements. If it is anticipated that the annual caps may be exceeded if the Group is to continue to carry out the continued connected transactions throughout the term of the Lease Agreements, the Group will take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules before entering into the proposed transactions.

Service Agreements

In respect of the Hotel Service (2021 Renewal) Framework Agreement, Vehicle Service (2021 Renewal) Framework Agreement, Travel (2021 Renewal) Framework Agreement and Property Management (2021 Renewal) Framework Agreement (“**Service Agreements**”), the Group further adopts the following internal control procedures in addition to the general procedures:

1. To ensure that the transactions under the Service Agreements are on normal commercial terms and on terms no less favourable from the perspective of the Group than those available to and/or offered by Independent Third Parties, every time before the relevant member of the Group engages the relevant member of the respective service provider or user of the services, the operation unit of the relevant member of the Group will examine the draft contract for the services under the Service Agreements (“**Services**”) for the engagement to confirm that the Services are capable to meet the needs of the user.
2. The internal control unit will then examine the terms of the draft contract for the Services to make sure that the terms are in compliance with the Service Agreements and the overall terms of the engagement are no less favourable from the perspective of the Group than those which have been offered to the Group and/or available to Independent Third Parties. Relevant member of the Group will only enter into the contract for Services with the relevant service provider after receiving the approval by the internal control unit which confirms that the overall terms are no less favourable from the perspective of the Group than those which have been offered to the Group and/or available to Independent Third Parties. When evaluating the terms of a draft contract for Services, the internal control unit will compare it with all quotations obtained from Independent Third Parties for the same or equivalent services at comparable quality and/or historical transactions with other Independent Third Parties of similar nature and determine whether on an overall evaluation of the fees for the Services (“**Service Fees**”) to be paid or received, the payment terms as stated in the draft contract for Services and the expected quality of the Services to be received against the quotations obtained from Independent Third Parties, are the most favourable to the Group.

3. In order to maintain a fair assessment of the overall terms, the Group will obtain quotations from at least 2 Independent Third Parties (who, as the Group considers, are able to provide the required Services of satisfactory quality and at satisfactory standard) in respect of each type of Services periodically to make sure that the Service Fees to be paid under the Service Agreements are not higher than those offered to the Group by Independent Third Parties under prevailing local market conditions; and that the Service Fees to be received under the Service Agreements are not lower than those offered to the Group by Independent Third Parties under prevailing local market conditions (as the case may be). The Group would also from time to time identify further Independent Third Parties who, as it considers, are capable of providing the required Services of satisfactory quality and at satisfactory standard, and obtain quotations for the required Services from them upon identification and repeated periodically.
4. The internal control unit of the Group will conduct a periodic review on whether the Group still has sufficient unused annual caps for carrying out the continuing connected transactions during the term of the Service Agreements. If it is anticipated that the annual caps may be exceeded if the Group is to continue to carry out the continued connected transactions throughout the term of the Service Agreements, the Group will take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules before entering into the proposed transactions.
5. Before conducting any transactions with connected persons, the internal control unit of the relevant member of the Group shall ensure that the Group still has sufficient unused annual caps for carrying out the relevant continuing connected transactions. The internal control unit would review the continuing connected transactions periodically to assess, and compile a report, on (i) whether the continuing connected transactions of the Group have been carried out in accordance with the terms of the relevant agreements and the Group's pricing policy; (ii) whether the transactions have been conducted on normal commercial terms and on terms no less favourable than those offered by the Independent Third Parties; and (iii) the aggregate amounts of transactions conducted and whether the relevant annual caps have been exceeded.

Trademark

In respect of the Technical School Trademark (2021 Renewal) Agreement, the Group further adopts the following internal control procedures in addition to the general procedures:

Since the annual licensing fee to be received by the Group is determined with reference to the operating profits of Huashang Technical School for the relevant financial year, the internal control unit of the Group will closely monitor the licensing fee received, and take all appropriate steps in advance to comply with the relevant requirements under the Listing Rules and seek to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules. Once there is a likelihood that the amount receivable for the financial year will render the relevant annual cap being exceeded, the internal control unit will report to the management immediately and appropriate actions in accordance with the relevant requirements of the Listing Rules will be taken.

By order of the Board
LIU Yung Chau
Chairman and executive Director

Hong Kong, 15 September 2021

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.