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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 CONTINUING CONNECTED TRANSACTION
— FINANCIAL (2024–2027) FRAMEWORK AGREEMENT**

Reference is made to the announcement (“**Announcement**”) of Edvantage Group Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) dated 30 September 2024 in relation to entering into of the Financial (2024–2027) Framework Agreement. 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 Financial (2024–2027) Framework Agreement.

REASONS AND BENEFITS

As disclosed in the Announcement, the Group’s substantial operation is in the PRC from which the Group generates the majority of its revenue and in which the majority of its fund is located. As the Group carries on its business both inside and outside the PRC, it has funding needs in both regions and from time to time which can be satisfied by cross-border fund transfer to and from the PRC and the overseas and/or local financing arrangements. The Financing Services under the Financial (2024–2027) Framework Agreement offers the Group an option to ride on the overseas financial resources of the Counterparties Group in case it requires fund overseas which gives the Group greater flexibility in fund management.

Whilst the transactions contemplated under the Financial (2024–2027) Framework Agreement are framed as reciprocal arrangement, the advancement of loan by the relevant member of the Counterparties Group to the relevant member of the Group in one jurisdiction does not necessarily entail the advancement of loan (whether in an equivalent amount or otherwise) by the relevant member of the Group to the relevant member of the Counterparties Group in another jurisdiction, as the Group has full discretion to decide whether to request for Financing Services and whether to provide Credit Services on a case by case basis.

Due to its business nature, the Group has periodic influx of idle cash in particular months in each year when it receives tuition fees and/or boarding fees from the students of the schools inside mainland China under the Group. The Group has always been exploring opportunities to make good use of and enhance returns from its idle cash, such as placing time deposits, structured deposits and subscribing low-risk and capital preservation wealth management products. Upon entering into the Financial (2024–2027) Framework Agreement, members of the Group will have an alternative option to choose (but will not be obliged) to make advancement using its idle cash to members of the Counterparties Group to gain interest income. Also, the fair value of wealth management products may change from time to time, especially when there are market fluctuations, which will have impact on the financial positions of the Group whereas there will not be such an issue in respect of loans advanced to the relevant member of Counterparties Group when the credit risk is under control.

Moreover, as disclosed in the Announcement and detailed in the section below, (A) the interest rate of the Credit Services will generally be above the higher of the interest rates for loans of the same type offered by major commercial banks of the relevant jurisdictions, and the interest rates for loans of the same type offered by the Group to any Independent Third Party, whereas (B) the interest rate of the Financing Services shall be the same or below prevailing market rates for the same type of financing services offered by major commercial banks of the relevant jurisdictions or an Independent Third Party. Accordingly, the Credit Services allow the Group to utilise its idle funds by advancing loans to the Counterparties Group and thereby benefit from receiving higher returns.

PRICING POLICY — INTEREST RATE TO BE CHARGED ON THE CREDIT SERVICES

As disclosed in the Announcement, the relevant member of the Group will only consider to enter into individual agreement if it is on normal commercial terms or better. In determining whether an individual agreement is on normal commercial terms, the Group will consider whether (i) the terms of the transactions are no less favourable to the Group than terms available to or from Independent Third Parties, if available; or (ii) the terms are arrived at on arm's length negotiation between the parties with reference to terms of transactions of the same type conducted by other parties in the market.

As regards the Credit Services, whilst the Group has not historically advanced loans to Independent Third Parties, the Group has set the bottom line of the interest rates for the Credit Services with reference to (i) the interest rates for loans of the same type offered by major commercial banks of the relevant jurisdictions to the relevant member of the Counterparties Group; and (ii) the interest rates for loans of the same type offered by the Group to any Independent Third Party. That means, if the Group advances loans to Independent Third Parties in the future, it will be one of the relevant factors for determining applicable interest rate of loans to be advanced under Credit Services.

The Company takes the view that lending interest rates stipulated by the major commercial banks are useful and appropriate reference because they reflect the relevant rates at which average market participants obtain financing and such rates are applicable to loans of moderate to low credit risk, which is comparable to the loans that may be advanced under the Credit Services which are considered of relatively low risk as further elaborated in the section headed “INTERNAL CONTROL AND CREDIT ASSESSMENT” below.

Against the background that the risk of Credit Services is relatively low and under control, the management considers that referencing bank interest rates provides the Group with a meaningful benchmark and bottom line for negotiation which is also in line with market practice. On the other hand, interest rates charged by money lenders may not serve as a meaningful reference for the purposes of the Credit Services not only because such interest rates are not open to public and could vary significantly on a case by case basis, but also because money lenders and commercial banks operate on different levels — whereas money lenders are generally more willing to take higher risk in return for higher return, commercial banks usually take a more conservative approach to minimise credit risk and hence are more stringent in their credit assessment processes, which are in line with the Group’s treasury policy.

The interest rate applicable to any loan to be advanced to the relevant member of the Counterparties Group shall be higher than (i) the average of the relevant prevailing interest rates obtained, and (ii) the return rate the Group will receive (if such loan amount is used to acquire low-risk and capital preservation wealth management products or be placed as time or structured deposit (whichever is higher)) and (iii) if the Group provides financial assistance to any Independent Third Party in the future, the interest rates for loans of the same type offered by the Group to any Independent Third Party. The Group will ensure that interest rate of any loan under the Credit Services shall be determined with reference to aforesaid pricing policy through arm’s length negotiation between the parties on the basis of fairness and reasonableness.

To ensure that the interest rates offered by the Group in respect of Credit Services shall comply with the aforesaid pricing policy, as disclosed in the Announcement, the Group will obtain the market information on the benchmarks, which will set the bottom line for relevant members of the Group in their negotiation process with members of the Counterparties Group on the best interest and most favourable interest rates/fees that can be obtained.

In this connection, before entering into any transaction under Credit Services, the Group will obtain from not less than 4 major commercial banks their prevailing lending interest rates offered to the Counterparties and/or relevant member of the Counterparties Group or persons of equivalent creditworthiness with respect to the particular type of loans (of similar size, with similar length of loan term and in similar currency); the Group will also obtain from not less than 4 major commercial banks relevant information on then prevailing interest rate applicable to time deposit, structured deposit and low-risk and capital preservation wealth management products then available with respect to size of principal, maturity period and currency similar to the proposed loan to be advanced under the Credit Services. The Group will only consider to advance loans to the relevant members of the Counterparties Group upon their request if the return from advancing such loans under the Credit Services is higher than (i) the average lending interest rate offered by the major commercial banks and (ii) the return the Group will receive from the then available time deposit, structured deposit and low-risk and capital preservation wealth management products from the major commercial banks.

INTERNAL CONTROL AND CREDIT ASSESSMENT

The Company is of the view that the credit risk associated with any loans to be granted to members of the Counterparties Group is relatively low and under control for reasons as follows:

(i) Credit Assessment and Review:

As disclosed in the Announcement, the Group will conduct credit risk assessment on all Counterparties before the Group first provides any financial assistance to any member of the Counterparties Group and will conduct credit reviews on an annual basis. Taking into account the fact that Mr. Liu and Ms. Chen are controlling Shareholders, and they agree to procure the Counterparties Group to provide the necessary information to the Group for assessment and monitoring of their creditworthiness, the management takes the view that there is sufficient information (and the Group will be able to from time to time obtain further information as and when appropriate) for the Group to assess the creditworthiness of the members of the Counterparties Group, and to monitor their financial condition and assess their creditworthiness from time to time.

(ii) Joint and Several Repayment Undertaking from the Counterparties:

Under the Financial (2024–2027) Framework Agreement, the Counterparties have jointly and severally undertaken with the Company to repay any outstanding loans and interests thereof in case of default by any member of the Counterparties Group (“**Repayment Undertaking**”). With such Repayment Undertaking, the credit risk of Credit Services could be controlled, especially taking into account of the fact that Mr. Liu and Ms. Chen are controlling Shareholders and are interested in more than 70% of the issued Shares, which market value far exceed the proposed annual caps for Credit Services as of the date of this announcement.

(iii) The Group’s Outstanding Advancement not to exceed the Group’s Outstanding Indebtedness under the Financial (2024–2027) Framework Agreement:

To further control the risk, the Group has adopted a policy that the total amount of loans advanced to member(s) of the Counterparties Group by member(s) of the Group under the Credit Services which remains outstanding (“**Group’s Outstanding Advancement**”) will not exceed the total amount of loans advanced to member(s) of the Group by member(s) of the Counterparties Group under the Financing Services which remains outstanding (“**Group’s Outstanding Indebtedness**”) at all material times during the term of the Financial (2024–2027) Framework Agreement. In this regard, in case any member of Counterparties Group defaults on the loan advanced to it under Credit Services, the Group’s Outstanding Advancement may be set off against the Group’s Outstanding Indebtedness, thereby ensuring that the Group can recover the principal amount of the loans and interest at all material times and hence further minimising the Group’s risk exposure in connection with the Credit Services.

With the above arrangements in place coupled with the other internal control measures disclosed in the Announcement, the management of the Group considers that the risks associated with the Credit Services commensurate with its higher potential returns when compared to depositing fund at major commercial banks, which enables the Group to earn more favourable interest income whilst subject to reasonable and controllable credit risk.

After taking into account the above factors (which are not conclusive nor exhaustive), the management takes the view that, among others, the Credit Services are and will be conducted on arm’s length basis on normal commercial terms or better whereas the Group is able to secure its interest under Credit Services.

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

Hong Kong, 28 October 2024

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. O’Yang Wiley and Mr. Li Jiatong.