

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**MAJOR TRANSACTION IN RELATION TO  
THE ACQUISITION OF 51% OF THE  
ENTIRE EQUITY INTEREST IN SICHUAN NEW CONCEPT  
EDUCATION INVESTMENT CO., LTD.\* AND  
CHENGDU YUDE LOGISTICS MANAGEMENT CO., LTD.\***

**THE ACQUISITION**

On 4 December 2020, Guangzhou Zhiheng Education and Guangzhou Huagang, both indirect wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with Nanning Zhuowen Education, Shenzhen Hongtao Education, and the Target Group, pursuant to which Guangzhou Zhiheng Education has conditionally agreed to acquire 51% of the entire equity interest in the Target Company, and Guangzhou Huagang has conditionally agreed to acquire 51% of the entire equity interest in Chengdu Yude Logistics.

As a condition to the Completion of the Acquisition Agreement, Guangzhou Zhiheng Education will enter into the Structured Contracts with Nanning Zhuowen Education, 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**

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Company is permitted to, and will endeavor to, obtain written Shareholders' approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from Debo Education Investments Holdings Limited, which is a controlling shareholder of the Company beneficially interested in 750,790,000 Shares, representing approximately 73.73% of the issued share capital of the Company, as at the date of this announcement, in lieu of holding a general meeting for approval of the Acquisition Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Acquisition Agreement and the transactions contemplated thereunder, the Structured Contracts, and other information as required to be disclosed under the Listing Rules will be dispatched to the Shareholders. The circular is expected to be dispatched by the Company to its Shareholders on or before 28 December 2020.

**As Completion is subject to fulfillment of the conditions to the Acquisition Agreement, it may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **THE ACQUISITION AGREEMENT**

The Board is pleased to announce that on 4 December 2020, Guangzhou Zhiheng Education and Guangzhou Huagang, both indirect wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with Nanning Zhuowen Education, Shenzhen Hongtao Education, and the Target Group, pursuant to which Guangzhou Zhiheng Education has conditionally agreed to acquire 51% of the entire equity interest in the Target Company, and Guangzhou Huagang has conditionally agreed to acquire 51% of the entire equity interest in Chengdu Yude Logistics.

The principal terms of the Acquisition Agreement are summarised as follows:

### **Date**

4 December 2020

### **Parties**

- (1) Guangzhou Zhiheng Education;
- (2) Guangzhou Huagang;

- (3) Nanning Zhuowen Education;
- (4) Shenzhen Hongtao Education; and
- (5) The Target Group

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, each members of the Vendors Group and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

### **Assets to be acquired**

As at the date of this announcement, the Target Company holds the entire equity interest of the Schools and Chengdu Yude Logistics which in turn holds the entire equity interest in Chengdu Chengyuan Technology.

Subject to and upon the terms and conditions of the Acquisition Agreement:

- (1) Shenzhen Hongtao Education shall sell and Nanning Zhuowen Education (as the transferee designated by Guangzhou Zhiheng Education) shall acquire the Sale Shares of the Target Company; and
- (2) the Target Company shall sell and Guangzhou Huagang shall acquire the Sale Shares of Chengdu Yude Logistics.

Due to the restriction of foreign ownership under the PRC laws, Nanning Zhuowen Education is designated by Guangzhou Zhiheng Education to acquire the Sale Shares of the Target Company. 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 completion of the execution of the Structured Contracts, the Company shall have indirect control over the management and operations of the OPCO Group through the Structured Contracts.

As the respective businesses of Chengdu Yude Logistics and Chengdu Chengyuan Technology do not fall within the "restricted" industry for foreign investors under the PRC laws, Guangzhou Huagang will hold the Sale Shares of Chengdu Yude Logistics upon Completion.

### **Consideration and Conditions**

The aggregate consideration for the purchase of the Sale Shares of the Target Company and the Sale Shares of Chengdu Yude Logistics is RMB750,000,001 (equivalent to approximately HK\$887,468,939.77).

### *The consideration of the Sale Shares of the Target Company and conditions*

The consideration for the Sale Shares of the Target Company is RMB750,000,000 (equivalent to approximately HK\$887,468,938.59). The payment shall be made in the following manner:

#### *First Payment*

The First Payment of RMB150,000,000 (equivalent to approximately HK\$177,493,787.72) shall be made within five Business Days upon the fulfillment of the following conditions:

- (a) approval(s) by the board of directors of Shenzhen Hongtao having been obtained for the entering into of the transactions contemplated under the Acquisition Agreement, and the signing and delivery of the Acquisition Agreement by the Vendors Group;
- (b) publication of an announcement for the transactions contemplated under the Acquisition Agreement by Shenzhen Hongtao;
- (c) opening of a bank account at the Shenzhen Branch, Bank of Shanghai Co., Ltd. (上海銀行股份有限公司) by Shenzhen Hongtao Education for the purpose of receiving the First Payment;
- (d) representations and warranties made by the Vendors Group in the Acquisition Agreement remaining true, accurate and complete; and 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;
- (e) there having been no Material Adverse Change; and
- (f) there having been no applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement.

#### *Second Payment*

The second payment of RMB450,000,000 (equivalent to approximately HK\$532,481,363.15) shall be made within five Business Days upon the fulfillment of the following conditions:

- (a) approval(s) by the Board and the Shareholders having been obtained for the entering into of the transactions contemplated under the Acquisition Agreement, and the signing and delivery of the Transaction Documents by Nanning Zhuowen Education;

- (b) internal approval(s) from all competent authorities of the Vendors Group to sign and deliver the Transaction Documents having been obtained;
- (c) the First Payment having been used to repay the loan from the Shenzhen Branch, Bank of Shanghai Co., Ltd. (上海銀行股份有限公司) by Shenzhen Hongtao Education, and the charge of the Sale Shares of the Target Company having been released;
- (d) the other shareholders of the Target Company having waived their respective rights of first refusal for the transactions contemplated under the Acquisition Agreement, and having signed the new articles of association of the Target Company with Nanning Zhuowen Education;
- (e) registration of the Sale Shares of the Target Company under the name of Nanning Zhuowen Education and the registration of the Sale Shares of Chengdu Yude Logistics under the name of Guangzhou Huagang having been completed;
- (f) delivery of relevant documents and information of the Target Group as set out in the relevant schedule of the Acquisition Agreement having been completed by Shenzhen Hongtao Education to Nanning Zhuowen Education or any other parties designated by Nanning Zhuowen Education, and the reorganisation of the board of directors and management of the Target Company and council or the board of directors of the Schools remaining in accordance with the requirements of Nanning Zhuowen Education, and the filing of the updated list of members of the council or the board of directors of the Schools, and the revised articles of association of the Schools with the Education Department of Sichuan Province having been completed;
- (g) the Structured Contracts having been executed by the Target Company, all the shareholders of the Target Company and the Schools with Guangzhou Zhiheng Education according to the requirements of Nanning Zhuowen Education;
- (h) all provisions under the applicable PRC laws and regulations in relation to the existence, management and operations of the Target Group having been complied with;
- (i) 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;
- (j) there having been no Material Adverse Change; and
- (k) 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 RMB150,000,000 (equivalent to approximately HK\$177,493,787.72) shall be made within five Business Days upon the fulfillment of the following conditions:

- (a) the filing of the updated list of members of the council or the board of directors of the Schools, and the revised articles of association of the Schools with the Department of Civil Affairs of Sichuan Province having been completed, and the updated registration certificate of Sichuan Vocational College having been obtained from the Department of Civil Affairs of Sichuan Province;
- (b) written agreement having been entered into between Nanning Zhuowen Education, Sichuan Vocational College and Sichuan Tianfu Financial Leasing Co., Ltd.\* (四川天府金融租賃股份有限公司) with the assistance from Shenzhen Hongtao Education for the change of provisions regarding the pledge of right to receive school fees, miscellaneous fees, boarding fees and any other related fees;
- (c) formal consent from Far East International Leasing Co., Ltd.\* (遠東國際租賃有限公司) having been obtained to confirm the transactions contemplated under the Acquisition Agreement will not trigger early repayment and/or indemnity obligation(s) under all sale and lease back contracts which have previously been entered into by Sichuan Vocational College;
- (d) the loan of RMB50,000,000 (equivalent to approximately HK\$59,164,595.91) having been repaid by Shenzhen Hongtao Education to Sichuan Vocational College;
- (e) all capital contributions of Chengdu Chengyuan Technology having been fully paid by Chengdu Yude Logistics;
- (f) representations and warranties made by Shenzhen Hongtao Education in the Acquisition Agreement remaining true, accurate and complete; undertakings and obligations under the Acquisition Agreement having been complied with by Shenzhen Hongtao Education; and there having been no breach of the Acquisition Agreement by Shenzhen Hongtao Education; and
- (g) 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 Sale Shares of Chengdu Yude Logistics***

The consideration for the Sale Shares of Chengdu Yude Logistics is RMB1 (equivalent to approximately HK\$1.18). Guangzhou Huagang shall pay the entire consideration within five Business Days upon obtaining of the recipient's bank account information from the Target Company.

### **Basis for determination for the consideration**

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, ranking, number of students, course offerings and tuition fee levels of the Schools which are owned by the Target Company.

Taking into consideration of the above factors, the Directors are of the view that the consideration of the Acquisition is fair and reasonable.

The consideration for the Acquisition shall be funded by the Group's internal resources (including the Group's remaining balance of the unutilised proceeds received from the Company's global offering and cash generated from operations) and external bank borrowings of the Group. As regards the change in use of proceeds received from the global offering, please refer to the announcement of the Company published on the same date of this announcement.

### **Completion**

Completion shall take place when:

- (a) registration of the Sale Shares of the Target Company under the name of Nanning Zhuowen Education having been completed;
- (b) registration of the Sale Shares of Chengdu Yude Logistics under the name of Guangzhou Huagang having been completed; and
- (c) delivery of relevant documents and information of the Target Group by Shenzhen Hongtao Education to Nanning Zhuowen Education or any other parties designated by Nanning Zhuowen Education having been completed.

## **Termination**

The Acquisition Agreement can be terminated if any of the following events happens:

- (a) the parties to the Acquisition Agreement entering into a termination agreement;
- (b) the occurrence of any Material Adverse Change (only Nanning Zhuowen Education being entitled to terminate the Acquisition Agreement on this ground);
- (c) the condition (a) under the paragraph of the First Payment has not been fulfilled on or before 31 December 2020 (only Nanning Zhuowen Education being entitled to terminate the Acquisition Agreement on this ground);
- (d) the condition (a) under the paragraph of the second payment of the consideration of the Acquisition has not been fulfilled on or before 31 December 2020 (Shenzhen Hongtao Education being entitled to terminate the Acquisition Agreement on this ground);
- (e) there having been applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement (both Shenzhen Hongtao Education and Nanning Zhuowen Education being entitled to terminate the Acquisition Agreement on this ground); or
- (f) the non-defaulting party unilaterally terminating the Acquisition Agreement on the ground that a party's breach of an obligation under the Acquisition Agreement will frustrate the purpose of the Acquisition Agreement and such breach having not been remedied by the defaulting party within thirty days upon receipt of a written notice from the non-defaulting party.

If the Acquisition Agreement is terminated before the Completion, all respective payments received by Shenzhen Hongtao Education and the Target Company under the Acquisition Agreement should be returned by Shenzhen Hongtao Education and the Target Company within five Business Days from the termination date of the Acquisition Agreement.

## **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.

After considering the brand, quality of provision of education, reputation and market position of the Target Company and the Schools, the Directors believe that the Acquisition will bring attractive growth potential to the Group in the higher education and secondary vocational education market in the PRC, thereby achieving more diversified and higher income growth for the Group.

The Board believes 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 considers that the Acquisition is on normal commercial terms, the terms of the Acquisition Agreement (including the payment terms) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION OF THE GROUP**

The Group is the largest private higher education group in the Greater Bay Area of the PRC in terms of total student enrolment of business majors for the 2017/2018 school year according to Frost & Sullivan, and it is an early mover in the education sector in pursuing international expansion. The Group currently operates two private higher education institutions in the PRC (Huashang College, an independent college, and Huashang Vocational College, a junior college), a private vocational education institution in Australia (Global Business College of Australia), a private higher education institution in Australia (Edvantage Institute Australia) and a private vocational education institution in Singapore (Edvantage Institute (Singapore)). Both Huashang College and Huashang Vocational College are deeply rooted in the Greater Bay Area, being one of the most developed regions in the PRC with economic momentum and considerable demand for professional talents. 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).

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

Guangzhou Huagang is an indirect wholly-owned subsidiary of the Group and is principally engaged in the provision of hotel management and IT consultation services.

## **INFORMATION ABOUT THE OTHER PARTIES TO THE ACQUISITION AGREEMENT**

Shenzhen Hongtao Education is a company established in the PRC with limited liability. It is principally engaged in making investments for the establishment of private schools, including higher education and secondary vocational education institutions, developing online education system and providing education information advisory services and database services and management.

Nanning Zhuowen Education is a company established in the PRC with limited liability. Upon the Completion, it will own 51% of the entire equity interest in the Target Company. It is an investment holding company and its business scope includes the provision of internet and communication related services, 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 Schools and Chengdu Yude Logistics, which in turn holds the entire equity interest in Chengdu Chengyuan Technology. The Target Company is principally engaged in making investments, developing teaching facilities, and providing management services for student apartments.

Sichuan Vocational College is a private school registered as a private non-enterprise unit under the laws of the PRC. It is a full-time comprehensive general college approved by the Sichuan Provincial People's Government and licensed by the Sichuan Education Department. It principally provides full-time higher vocational education.

Sichuan Technician College is a private school registered as a private non-enterprise unit under the laws of the PRC. It is a technician college and principally provides full-time preparatory technicians training, advanced technical education, intermediate technical education, and short-term vocational skills training.

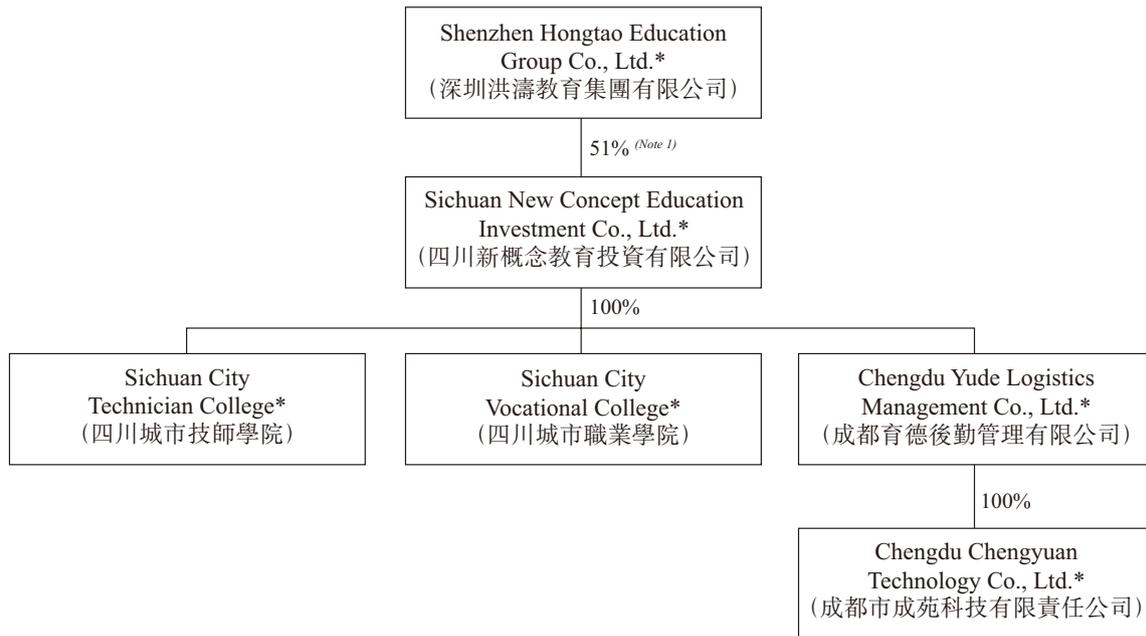
Chengdu Yude Logistics is a company established in the PRC with limited liability. It is principally engaged in providing supporting logistics management services, property management, education information consulting and organisation of cultural exchange events.

Chengdu Chengyuan Technology is a company established in the PRC with limited liability. It is principally engaged in providing computer software and hardware development and technical services, information system integration services, education information consulting, organisation services of cultural and artistic exchange activities, financial and tax consulting services, housing architecture and engineering design and construction, and automobile repair and maintenance.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, all the other parties to the Acquisition Agreement (other than Guangzhou Zhiheng Education and Guangzhou Huagang) and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

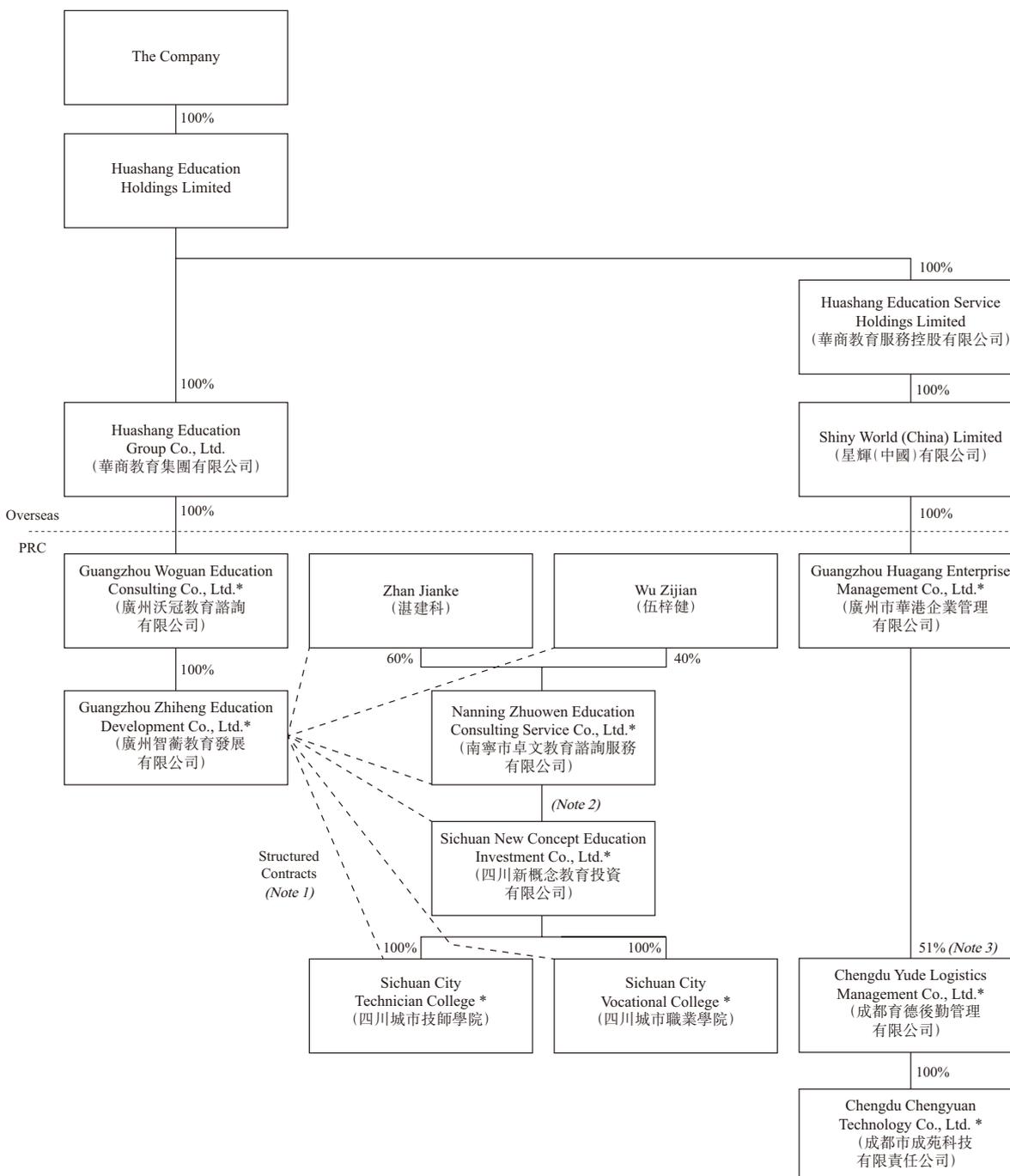
## Shareholding structure chart of the OPCO Group

### (a) Before Completion and the entering into of the Structured Contracts



*Note 1:* The Target Company is owned as to 51% by Shenzhen Hongtao Education, 29% by Sichuan Runsheng Education and 20% by Sichuan Normal University.

## (b) After Completion and the entering into of the Structured Contracts



Note 1: Guangzhou Zhiheng Education will enter into the Structured Contracts with the Registered Shareholders and the OPCO Group.

Note 2: The Target Company is owned as to 51% by OPCO, 29% by Sichuan Runsheng Education and 20% by Sichuan Normal University.

Note 3: On or around Completion, the Target Company will sell 29% and 20% of the entire equity interest in Chengdu Yude Logistics to Sichuan Runsheng Education and Sichuan Normal University, respectively. Accordingly, Chengdu Yude Logistics will be owned by Guangzhou Huagang, Sichuan Runsheng Education and Sichuan Normal University as to 51%, 29% and 20%, respectively.

“ — ” denotes shareholding relationship

“ - - ” denotes contractual relationship

## Financial information of the Target Group

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the years ended 31 December 2018 and 2019, prepared in accordance with the generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2018 (unaudited) RMB'000</b>	<b>For the year ended 31 December 2019 (unaudited) RMB'000</b>
Revenue	258,015	283,019
Net profit before taxation	70,519	79,729
Net profit after taxation	70,517	79,725

The unaudited consolidated net asset value of the Target Group as at 30 September 2020 was approximately RMB940,142,000.

The total unaudited revenue of the Target Company and the Schools for the years ended 31 December 2018 and 2019 were approximately RMB239,498,000 and RMB271,221,000, respectively.

Upon Completion, Guangzhou Huagang will hold 51% of the entire equity interest in Chengdu Yude Logistics which will become an indirect non-wholly owned subsidiary of the Company.

Upon Completion and pursuant to the Contractual Arrangement, Guangzhou Zhiheng Education will be able to control the finance and operation of Nanning Zhuowen Education so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership.

## INFORMATION OF THE STRUCTURED CONTRACTS

The Structured Contracts will be entered into as one of the conditions to the Acquisition Agreement. The OPCO Group is a higher education and secondary vocational education provider in the PRC. Pursuant to the Negative List promulgated by the National Development and Reform Commission and the Ministry of Commerce of the PRC on 23 June 2020, the provision of higher education in the PRC falls within the “restricted” industry for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a PRC education institution in compliance with the Regulation on Sino-Foreign Cooperation in Operating Schools (中外合作辦學條例), promulgated by the State Council in 2003 and amended on 18 July 2013, and further amended on 2 March 2019. In addition, the domestic party shall play a dominant role in the cooperation, which means (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution, while secondary vocational education is not listed as restricted category in the Negative List.

In relation to the interpretation of “Sino-foreign cooperation”, pursuant to the Sino Foreign Regulation, the foreign investor in a Sino-foreign joint venture private school which provides higher education mainly for PRC students (a “**Sino-Foreign Joint Venture Private School**”) must be a foreign educational institution with relevant qualification that provides high quality education (the “**Private School Qualification Requirements**”).

Furthermore, pursuant to the Implementation Opinions of the Ministry of Education of the PRC on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見) (the “**Implementation Opinions**”), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% and the establishment of these schools is subject to the approval of education authorities at the provincial or national level. 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 “**Technical School Qualification Requirements**”). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Technical School should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The PRC legal advisers of the Company have advised 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.

Given that as of the date of this announcement, as advised by the PRC legal advisers of the Company, as 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 reorganize education institutions of the OPCO Group as a Sino-Foreign Joint Venture Private School and a Sino-Foreign Technical School.

In order to maintain the OPCO Group's business operations while complying with the PRC laws and regulations mentioned above, upon Completion, Guangzhou Zhiheng Education, the Registered Shareholders and each of the members of the OPCO Group shall enter into the Structured Contracts to enable the economic benefits of the business of the OPCO Group to flow into the Guangzhou Zhiheng Education, to enable the consolidation of the financial results of the OPCO Group in the Group's consolidated accounts after the Completion, and to enable Guangzhou Zhiheng Education to gain effective control over the OPCO Group.

## **THE STRUCTURED CONTRACTS**

### **(a) Business Cooperation Agreement**

Parties : (i) Guangzhou Zhiheng Education  
(ii) the OPCO Group  
(iii) the Registered Shareholders

Subject Matter : Pursuant to the Business Cooperation Agreement, Guangzhou Zhiheng Education shall provide technical services, management support services and consulting services necessary for the private education business, and in return, the OPCO Group shall agree to make payments accordingly.

To ensure the due performance of the Structured Contracts, each of the members of the OPCO Group shall comply and procure any of its subsidiaries to comply with, and the Registered Shareholders shall procure the OPCO Group and/or their subsidiaries 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 each of the members of the OPCO Group to perform the obligations under the Structured Contracts.

Furthermore, 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 (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of the OPCO Group and its subsidiaries (the “**Competing Business**”), (ii) use information obtained from any of the OPCO Group or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees 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 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 : On the premise that the Company has complied with the applicable Listing Rules, the Business Cooperation Agreement shall take effect from the date of its execution and receipt of the waiver 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 any foreign entity designated by the Company fully exercises its right to acquire all the direct and 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 technical and management consultancy services provided by Guangzhou Zhiheng Education, each of the members of the OPCO Group shall pay Guangzhou Zhiheng Education a service fee equal to all of their respective amounts of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law), the legally compulsory development fund of the respective school (if required by the law), and other statutory fees (if required by law)) and multiplied by the proportion of the direct and/or indirect interest of the Registered Shareholders in the OPCO Group.

Term : On the premise that the Company has complied with the applicable Listing Rules, the Exclusive Technical Service and Management Consultancy Agreement shall take effect from the date of its execution and receipt of the waiver 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 any foreign entity designated by the Company fully exercises its right to acquire all the direct and 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 OPCO Group  
(iii) the Registered Shareholders

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 or part of the direct and/or indirect equity interest and/or school sponsor's interest in the OPCO Group (the "**Equity Call Option**"). The purchase price payable by Guangzhou Zhiheng Education or its designated purchaser in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity 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 school sponsor's interest and/or equity interest in the OPCO Group as it decides at any time.

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

Term : On the premise that the Company has complied with the applicable Listing Rules, the Exclusive Call Option Agreement shall take effect from the date of its execution and receipt of the waiver 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 any foreign entity designated by the Company fully exercises its right to acquire all the direct and 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) Nanning Zhuowen Education  
(iii) the Registered Shareholders  
(iv) the Target Company

Subject Matter : Under the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all of his rights as a shareholder of Nanning Zhuowen Education, and Nanning Zhuowen Education 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.

In addition, each of the Registered Shareholders and Nanning Zhuowen Education shall irrevocably agree that (i) Guangzhou Zhiheng Education may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Guangzhou Zhiheng Education and its successor or its designated person, without prior notice to or consent from the Registered Shareholders or Nanning Zhuowen Education; and (ii) any person as successor of civil rights of Guangzhou Zhiheng Education or liquidator 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 Shareholders' Rights Entrustment Agreement.

Term : On the premise that the Company has complied with the applicable Listing Rules, the Shareholders' Rights Entrustment Agreement shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

- (i) Guangzhou Zhiheng Education fully exercises its right to acquire all the direct and 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 Shareholders' Rights Entrustment Agreement.

(e) **Equity Pledge Agreement with the Registered Shareholders**

- Parties : (i) Guangzhou Zhiheng Education  
(ii) Nanning Zhuowen Education  
(iii) the Registered Shareholders
- Subject Matter : Under the Equity Pledge Agreement with the Registered Shareholders, each of the Registered Shareholders shall unconditionally and irrevocably pledge and grant first priority security interests over all of their respective equity interest in Nanning Zhuowen Education, 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 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 enforce the Equity Pledge Agreement with the Registered Shareholders by written notice to the 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 the Registered Shareholders to transfer all or part of their equity interest in Nanning Zhuowen Education to any entity or individual designated by Guangzhou Zhiheng Education at the lowest consideration permissible under the PRC laws and regulations, while the Registered Shareholders 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 interest in Nanning Zhuowen Education exceeds RMB0, the Registered Shareholders shall jointly pay such excess amount 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 Registered Shareholders and Guangzhou Zhiheng Education subject to applicable laws and regulations.

Term : On the premise that the Company has complied with the applicable Listing Rules, the Equity Pledge Agreement with Registered Shareholders shall take effect from the date of its execution and receipt of the waiver 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 Registered Shareholders.

**(f) Equity Pledge Agreement with Nanning Zhuowen Education**

- Parties : (i) Guangzhou Zhiheng Education  
(ii) Nanning Zhuowen Education  
(iii) the Target Company
- Subject Matter : Under the Equity Pledge Agreement with Nanning Zhuowen Education, Nanning Zhuowen Education 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, Nanning Zhuowen Education shall not transfer the 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 Nanning Zhuowen Education, Guangzhou Zhiheng Education shall have the right to enforce the Equity Pledge Agreement with Nanning Zhuowen Education by written notice to Nanning Zhuowen Education in one or more of the following ways:

- (i) to the extent permitted under the PRC laws and regulations, Guangzhou Zhiheng Education can request Nanning Zhuowen Education 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 Nanning Zhuowen Education 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 interest in the Target Company exceeds RMB0, Nanning Zhuowen Education shall pay such excess amount 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 subject to applicable laws and regulations.

Term : On the premise that the Company has complied with the applicable Listing Rules, the Equity Pledge Agreement with Nanning Zhuowen Education shall take effect from the date of its execution and receipt of the waiver 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 Nanning Zhuowen Education.

**(g) School Sponsors' and Council Members' Entrustment Agreement**

- Parties : (i) Guangzhou Zhiheng Education  
(ii) the Target Company  
(iii) the Schools  
(iv) the Appointees
- Subject Matter : Under the School Sponsors' and Council Members' Entrustment Agreement, the Target Company shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all its rights as school sponsor of the Schools to the extent permitted by the PRC laws.

In addition, the Appointees shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all their rights as council members of the Schools to the extent permitted by the PRC laws.

In addition, each of the Target Company and the Appointees irrevocably agrees that (i) Guangzhou Zhiheng Education has the right to delegate its right under the School Sponsors' and Council Members' Entrustment Agreement to the directors of Guangzhou Zhiheng Education or its designated person, without prior notice to or consent from the Target Company and the Appointees; and (ii) any person as successor of civil rights of Guangzhou Zhiheng Education or liquidator 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 Sponsors' and Council Members' Entrustment Agreement.

Term : On the premise that the Company has complied with the applicable Listing Rules, the School Sponsors' and Council Members' Entrustment Agreement shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

- (i) Guangzhou Zhiheng Education fully exercises its right to acquire all the direct and 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 Sponsors' and Directors' Entrustment Agreement.

**(h) School Sponsors' Powers of Attorney**

Party : The Target Company

Subject Matter : The Target Company shall authorize and appoint Guangzhou Zhiheng Education, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of the Schools.

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 authorization and appointment in the School Sponsors' Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of the Target Company's subdivision, merger, bankruptcy, reorganisation and dissolution or other similar events. The School Sponsors' Powers of Attorney shall constitute a part of and incorporate terms of the School Sponsors' and Council Members' Entrustment Agreement.

**(i) Council Members' Powers of Attorney**

Parties : The Appointees

Subject Matter : Each of the Appointees shall authorize 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 council member of the Schools.

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 Appointees shall irrevocably agree that the authorization and appointment provided in the Council Members' 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 Council Members' Powers of Attorney shall constitute a part of and incorporate terms of the School Sponsors' and Council Members' Entrustment Agreement.

**(j) Shareholders' Powers of Attorney**

Parties : (i) the Registered Shareholders  
(ii) Nanning Zhuowen Education

Subject Matter : Each of the Registered Shareholders shall irrevocably authorize and appoint Guangzhou Zhiheng Education as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of Nanning Zhuowen Education, and Nanning Zhuowen Education shall irrevocably 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 shareholder of the Target Company.

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 Shareholders and Nanning Zhuowen Education shall irrevocably agree that the authorization and appointment provided in the Shareholders' Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of the loss of or restriction on capacity, death or other similar events of the Registered Shareholders and/or subdivision, merger, winding up or other similar events of Nanning Zhuowen Education. The Shareholders' Powers of Attorney shall constitute a part of and incorporate terms of the Shareholders' Rights Entrustment Agreement.

**(k) Spouse Undertakings**

Parties : The spouse of each of the Registered Shareholders

Subject Matter : The spouse of each of the Registered Shareholders 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 respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest and/or school sponsors' interest in the OPCO Group, pledge or transfer the direct or indirect equity interest in and/or school sponsors' interest in the OPCO Group, or the disposal of the direct or indirect equity interest in and/or school sponsors' interest in the OPCO Group in any other forms;
- (ii) the spouse acknowledges that the direct and/or indirect equity interest in the OPCO Group and the rights attached thereon shall belong to the respective Registered Shareholders and shall not constitute common assets with the spouse of the respective Registered Shareholders. The spouse shall not have 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 respective Registered Shareholders, 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 respective Registered Shareholders or in case of divorce); and
- (iv) any undertaking, confirmation, consent and authorization 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.

## Consents by Minority Shareholders

The school sponsor's interest in the Schools is wholly owned by the Target Company. Upon Completion, the Target Company will be owned by Nanning Zhuowen Education as to 51%, Sichuan Runsheng Education as to 29% and Sichuan Normal University as to 20%. In this regard, the Company will obtain written confirmations from Sichuan Runsheng Education and Sichuan Normal University who will confirm that they agree, among others:

- (a) the consolidation of Nanning Zhuowen Education's interest in the Target Company into the assets of the Company and the execution of the Structured Contracts and the exercise of its rights and the performance of its obligations by the Target Company under the Structured Contracts in accordance with the regulators including the Stock Exchange and the Listing Rules, and the right of the Company to consolidate the financial results of the Target Company and its subsidiary(ies) as subsidiary(ies) of the Company in accordance with the applicable accounting standards;
- (b) to consent and support any shareholder resolutions or board resolutions of the Target Company in relation to the execution of the Structured Contracts;
- (c) to the extent as allowed by the PRC laws, to the waiver of the pre-emptive rights in the event that Nanning Zhuowen Education transfer its interest in the Target Company to Guangzhou Zhiheng Education or its designated persons and to sign or provide all necessary documents or take all necessary actions to facilitate the transfer of the equity interest in the Target Company;
- (d) in the event that they intend to sell, assign, transfer or in any other way dispose of the equity interest in the Target Company, apart from confirming the pre-emptive right of Nanning Zhuowen Education, they undertake that their successors shall at no consideration, unconditionally and irrevocably acknowledge and consent in writing the rights and obligations under the written confirmations provided by Sichuan Runsheng Education and/or Sichuan Normal University, and the Structure Contracts prior to such sale, assignment, transfer or disposal; and
- (e) if they create any encumbrances over any of its equity interest in the Target Company, they undertake that the beneficiary of such encumbrances and other related persons shall at no consideration, unconditionally and irrevocably consent in writing the rights and obligations under the written confirmations provided by Sichuan Runsheng Education and/or Sichuan Normal University, and the Structured Contracts prior to the creation of such encumbrances.

## **DISPUTE RESOLUTION**

Each of the Structured Contracts provides that:

- (a) 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;
- (b) 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 Shenzhen Arbitration Commission in Shenzhen, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;
- (c) the arbitration commission shall have the right to award remedies over the equity interest in the Target 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
- (d) 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 Schools or the Target Company pursuant to the applicable PRC laws, each of the Registered Shareholders 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 shareholders' rights on behalf of the Registered Shareholders and Nanning Zhuowen Education, and shall instruct all of the Schools and/or the Target Company to transfer assets received under the PRC laws directly to Guangzhou Zhiheng Education and/or its designee(s). Furthermore, Guangzhou Zhiheng Education has been irrevocably authorized and entrusted to exercise the rights of the Target Company as the school sponsor of the Schools and the rights of the Appointees as council members of the Schools and rights of Registered Shareholders as shareholders of Nanning Zhuowen Education.

## **CONFLICT OF INTERESTS**

The Company confirms that appropriate arrangements will be 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 shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Guangzhou Zhiheng Education is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements; or (ii) require the 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, it is the intention of the Company, following the Completion, to implement, 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**

- (a) The Group will appoint at least one representative(s) (the “**Representative(s)**”) to the respective board of directors and/or council (where appropriate) of the OPCO Group. The Representative(s) is/are required to conduct monthly reviews on the operations of the OPCO Group and shall submit the monthly reviews to the Board. The respective Representative(s) is/are also required to check the authenticity of the monthly management accounts of the OPCO Group;
- (b) The Representative(s) shall establish a team to be nominated by the Group who shall station at the OPCO Group and shall be actively involved in various aspects of the daily managerial and operational activities of the OPCO Group;
- (c) Upon receiving notification of any material events of the OPCO Group by the respective Representative, the Registered Shareholders must report to the company secretary/board of directors of the Company, who must in turn report to the Board as soon as possible;

- (d) The financial team of the Company/Representative(s) shall conduct regular site visits to the OPCO Group and conduct personnel interviews every six months and submit reports to the Board; and
- (e) 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**

- (a) 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;
- (b) 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 the Registered Shareholders to investigate and should report any suspicious matters to the Board;
- (c) 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
- (d) The OPCO Group must assist and facilitate the Company to conduct quarterly on-site internal audit on the OPCO Group.

### **Legal review**

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.

## **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, 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 PRC laws" under the section headed "Risk factors in relation to the Structured Contracts" and the paragraph headed "Dispute resolutions" in this announcement) and shall not contravene the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form", and the General Principles of the PRC Civil Law.

## **Dispute resolutions in the Structured Contracts**

In connection with the dispute resolution method as set out in the Contractual Arrangements 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 shares and/or assets of the OPCO Group, injunctive relief or 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 is of the view that the Structured Contracts are narrowly tailored to achieve the OPCO Group's business purpose 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 and the consents by the minority shareholders of the Target Company are obtained. The Structured Contracts enable Guangzhou Zhiheng Education to consolidate the financial results of the OPCO Group which engages in the operation of higher education and secondary vocational education, where the PRC laws and regulations currently restrict operation of higher education to Sino-foreign ownership, in addition to imposing the Qualification Requirements on the foreign owners in the operation of higher education and secondary vocational education and withholding government approval in respect of Sino-foreign ownership. 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 higher education and secondary vocational education are issued which allow Guangzhou Zhiheng Education to register itself as the shareholder of the OPCO Group.

## **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 Education of the PRC, which regulates the education 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.

If any of the above penalties are imposed on the Group, its business, financial condition and results of operations may be materially and adversely affected.

### **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 Schools or the Target Company or the Registered Shareholders fail to perform their respective obligations under these Structured Contracts, the Group cannot exercise school sponsors' rights to direct such corporate action as the direct ownership would otherwise entail.

**The owners of the OPCO Group may have conflicts of interest 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 council members of the Schools as appointed by the Target Company. The Target Company is the direct holder of the school sponsors' interest in the Schools. The Target Company or the Registered Shareholders may potentially have conflicts of interest 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 interest 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 sponsors' interests in the Schools and equity interest in 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 school sponsors' interest in the Schools and the equity interest in the Target Company 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 sponsors' interests or equity interest and the relevant PRC authorities determine that the purchase price for acquiring the school sponsors' 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. A transfer pricing adjustment could increase the 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 Shenzhen Arbitration Commission in Shenzhen, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the school sponsor's interest in the Schools, the equity interests in the Target Company and/or property interest and assets of the OPCO Group, injunctive relief and/or 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.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Company is permitted to, and will endeavor to, obtain written Shareholders' approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from Debo Education Investments Holdings Limited, which is a controlling shareholder of the Company beneficially interested in 750,790,000 Shares, representing approximately 73.73% of the issued share capital of the Company, as at the date of this announcement, in lieu of holding a general meeting for approval of the Acquisition Agreement and the transactions contemplated thereunder.

Upon Completion, the Registered Shareholders, as substantial shareholders of Nanning Zhuowen Education, which will then be accounted for as if a subsidiary of the Company, will be connected persons at subsidiary level of the Company under Chapter 14A of the Listing Rules.

As the Registered Shareholders will be parties to several agreements contemplated under the Structured Contracts, the entering into of the Structured Contracts will constitute continuing connected transactions of the Company upon Completion. Such continuing connected transactions of the Company are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules as the relevant conditions have been satisfied, namely, (i) the Board has approved the Contractual Arrangement which is part of the transactions contemplated under the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Structured Contracts are fair and reasonable, the Contractual Arrangement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Company will apply for a waiver from the Stock Exchange from (i) fixing the term of the Structured Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) 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.

A circular containing, among others, details of the Acquisition Agreement and the transactions contemplated thereunder, the Structured Contracts, and other information as required to be disclosed under the Listing Rules will be dispatched to the Shareholders. The circular is expected to be dispatched by the Company to its Shareholders on or before 28 December 2020.

## **DEFINITIONS**

Unless the context requires otherwise, terms used in this announcement shall have the meanings as follows:

“Acquisition”	the acquisition of the Sale Shares of Chengdu Yude Logistics and the Sale Shares of the Target Company
“Acquisition Agreement”	the acquisition agreement dated 4 December 2020 entered into between, among others, Guangzhou Zhiheng Education, Guangzhou Huagang, Nanning Zhuowen Education, Shenzhen Hongtao Education and the Target Group in relation to the Acquisition
“Appointees”	the appointees to be appointed as council members of the Schools by the Target Company
“Board”	the board of Directors

“Business Days”	a day excluding Saturday, Sunday and any statutory holiday of the PRC (including the holiday as temporarily specified by the competent government authority)
“Chengdu Chengyuan Technology”	Chengdu Chengyuan Technology Co., Ltd.* (成都市成苑科技有限責任公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of Chengdu Yude Logistics
“Chengdu Yude Logistics”	Chengdu Yude Logistics Management Co., Ltd.* (成都育德後勤管理有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Target Company
“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 Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangement”	the contractual arrangement contemplated under the Structured Contracts through which the Company will indirectly own and control any part of the business of the OPCO Group
“Director(s)”	the director(s) of the Company
“First Payment”	the payment of RMB150,000,000 (equivalent to approximately HK\$177,493,787.72) as the first instalment of the consideration for the Sale Shares of the Target Company
“Group”	the Company and its subsidiaries
“Guangzhou Huagang”	Guangzhou Huagang Enterprise Management Co., Ltd.* (廣州市華港企業管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Guangzhou Zhiheng Education”	Guangzhou Zhiheng Education Development Co., Ltd.* (廣州智衡教育發展有限公司), 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 Zhuowen Education” or “OPCO”	Nanning Zhuowen Education Consulting Services Co., Ltd.* (南寧市卓文教育諮詢服務有限公司), a company established in the PRC with limited liability
“Negative List”	the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition)
“OPCO Group”	OPCO, the Target Company, Sichuan Technician College and Sichuan Vocational College
“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
“Qualification Requirements”	collectively, the Private School Qualification Requirements and the Technical School Qualification Requirements
“Registered Shareholders”	Mr. Zhan Jianke (湛建科) and Mr. Wu Zijian (伍梓健), employees of the associated companies of the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares of Chengdu Yude Logistics”	51% of the entire equity interest in Chengdu Yude Logistics

“Sales Shares of the Target Company”	51% of the entire equity interest in the Target Company
“Schools”	Sichuan Technician College and Sichuan Vocational College
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Hongtao”	Shenzhen Hongtao Group Co., Ltd.* (深圳洪濤集團股份有限公司), a company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 002325) and the holding company of Shenzhen Hongtao Education
“Shenzhen Hongtao Education”	Shenzhen Hongtao Education Group Co., Ltd.* (深圳洪濤教育集團有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Shenzhen Hongtao
“Sichuan Normal University”	Sichuan Normal University Investment Management Co., Ltd.* (四川師範大學投資管理有限公司), a company established in the PRC with limited liability
“Sichuan Runsheng Education”	Sichuan Runsheng Education Investment Co., Ltd.* (四川潤生教育投資有限公司), a company established in the PRC with limited liability
“Sichuan Technician College”	Sichuan City Technician College* (四川城市技師學院), a private school registered as a private non-enterprise unit under the laws of the PRC on 22 May 2018, and wholly-owned by the Target Company
“Sichuan Vocational College”	Sichuan City Vocational College* (四川城市職業學院), a private school registered as a private non-enterprise unit under the laws of the PRC on 29 July 2008, and wholly-owned by the Target Company
“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 Nanning Zhuowen Education; (vii) the School Sponsors’ and Council Members’ Entrustment Agreement; (viii) the School Sponsors’ Powers of Attorney; (ix) the Council Members’ Powers of Attorney; (x) the Shareholders’ 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”	Sichuan New Concept Education Investment Co., Ltd.* (四川新概念教育投資有限公司), a company established in the PRC with limited liability
“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
“Target Group”	the Target Company, the Schools, Chengdu Yude Logistics and Chengdu Chengyuan Technology
“Vendors Group”	Shenzhen Hongtao 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, 4 December 2020

*For purpose of this announcement, the exchange rate of RMB0.84510 = 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.*