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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)

DISCLOSEABLE TRANSACTION

CONSTRUCTION AGREEMENT IN RELATION TO CONSTRUCTION OF TEACHING FACILITIES AT HUASHANG VOCATIONAL COLLEGE XINHUI CAMPUS

INTRODUCTION

The Board hereby announces that on 6 November 2020, Huashang Vocational College, a private higher education institution in the PRC operated by the Group and a wholly-owned subsidiary of the Company, entered into the Xinhui Construction Agreement with Guangdong Wuchuan Construction, pursuant to which Guangdong Wuchuan Construction (as the contractor) agreed to undertake the construction work of Xinhui Teaching Facilities.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Xinhui Construction Agreement exceeds 5% but all are less than 25%, the transaction contemplated under the Xinhui Construction Agreement constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

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XINHUI CONSTRUCTION AGREEMENT

Salient terms of the Xinhui Construction Agreement are set out below.

Date: 6 November 2020

Parties:

- (i) Huashang Vocational College, as the principal
- (ii) Guangdong Wuchuan Construction, as the contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than being a party to the Xinhui Construction Agreement, Guangdong Wuchuan Construction and its ultimate beneficial owners are Independent Third Parties.

Subject matter: Guangdong Wuchuan Construction shall be responsible for

- (i) the construction and engineering works of the Xinhui Teaching Facilities based on the technical specifications as required under the Xinhui Construction Agreement; and
- (ii) the maintenance of the Xinhui Teaching Facilities during various maintenance periods for different parts of the Xinhui Teaching Facilities as set out under the subsection titled "Maintenance periods" under this section, commencing from the date of passing the completion inspection and acceptance of the Xinhui Teaching Facilities.

Construction period: Expected completion date: 28 July 2021
Expected delivery date: 18 August 2021

Consideration: The total consideration payable by Huashang Vocational College under the Xinhui Construction Agreement shall be approximately RMB293.6 million (equivalent to approximately HK\$337.5 million), which comprises the costs of construction and engineering works, the related professional and insurance charges, taxes and other professional expenses for the construction of the Xinhui Teaching Facilities (“**Consideration**”) with reference to the specific construction items (“**Construction Items**”) which include certain teaching buildings, student dormitories and other teaching facilities.

The Consideration shall be payable by Huashang Vocational College in cash, by cheque or via bank transfer in the following manner:

- (i) 10% of the consideration for the relevant Construction Item shall be settled after completion of the pile foundation cap (樁基礎承台) of the relevant Construction Item;
- (ii) 10% of the consideration for the relevant Construction Item shall be settled after completion of works to the ground level (正負零) in respect of the relevant Construction Item;
- (iii) 15% of the consideration for the relevant Construction Item shall be settled after completion of the third floor slab (三層頂板) of the relevant Construction Item;
- (iv) 15% of the consideration for the relevant Construction Item shall be settled after completion of single capping (單體封頂) of the relevant Construction Item;

- (v) 12% of the consideration for the relevant Construction Item shall be settled after completion of installation of all the exterior wall tiles (外牆貼磚) and removal of all the window frames, window blinds and scaffolds (窗框、百葉及外排柵拆除) of the relevant Construction Item;
- (vi) 15% of the consideration for the relevant Construction Item shall be settled after completion of interior renovation (室內裝修) of the relevant Construction Item;
- (vii) 10% of the consideration for the relevant Construction Item shall be settled after passing of the preliminary inspection (初驗通過) and production of the relevant documents by Guangdong Wuchuan Construction;
- (viii) 10% of the consideration for the relevant Construction Item shall be settled after passing of the formal completion inspection and acceptance (竣工驗收) and production of the relevant documents by Guangdong Wuchuan Construction; and
- (ix) the remaining 3% of the consideration for the relevant Construction Item shall be retained as the quality guarantee fees (質保金) which shall be payable in the manner as set out under the sub-section titled “Quality guarantee fees” under this section.

The Consideration will be financed by the Group’s internal resources (including cash generated from operations) and external bank borrowings of the Group.

The Consideration was determined after arm's length negotiation with Guangdong Wuchuan Construction with reference to the current estimated cost of the construction works and the market price of projects of similar nature, and bids have been invited in accordance with the established procedures. After considering the bidding prices and the past experience of the bidders, the Board is of the view that the tender submitted by Guangdong Wuchuan Construction was considered the most appropriate, having considered (among others) that it is a Class 1 construction enterprise in the PRC which has been engaged as the construction contractor for various construction projects and has vast experience in the area and has been actively committed in upholding high quality work; further, the Board believes that the standards and protection offered in the areas of business connection, construction management and construction work quality of Guangdong Wuchuan Construction satisfy the demanding qualification and experience requirements imposed on the construction contractor for the project.

Warranty period:

24 months from the date of passing the formal completion inspection and acceptance of the Xinhui Teaching Facilities

Quality guarantee fees (質保金):

The quality guarantee fees in relation to the Xinhui Teaching Facilities shall be retained by Huashang Vocational College and payable to Guangdong Wuchuan Construction in the following manner:

- (i) 50% of the quality guarantee fees shall be settled after the expiry of 12 months after the date of passing the formal completion inspection and acceptance, provided that no quality issue has arisen and no maintenance cost has been incurred; and
- (ii) the remaining 50% of the quality guarantee fees shall be settled after the expiry of 24 months after the date of passing of the formal completion inspection and acceptance, provided that Guangdong Wuchuan Construction has perfected all the works under the Xinhui Construction Agreement and no quality issue has arisen and no maintenance cost has been incurred.

**Maintenance periods
(保修期):**

The maintenance periods (保修期) for the Xinhui Teaching Facilities are as follows:

- (i) Foundation construction and main structure construction: 50 years
- (ii) Renovation works: 2 years
- (iii) Waterproof works (roofing, external walls, kitchens, lavatories, balconies and terraces etc.): 5 years
- (iv) Electrical cables, water supply and drainage pipes and equipment installation works: 2 years
- (v) Heating and cooling systems: 2 heating periods and cooling periods

Within the maintenance periods, Guangdong Wuchuan Construction shall be responsible for handling and fixing any quality issue(s) caused by the construction work of Guangdong Wuchuan Construction in a timely manner, failing which Huashang Vocational College shall have the right to deduct from the quality guarantee fees such amount as incurred by Huashang Vocational College in the relevant maintenance works and to claim against Guangdong Wuchuan Construction such amount which exceeds the quality guarantee fees.

REASONS FOR AND BENEFITS OF THE XINHUI CONSTRUCTION AGREEMENT

Following the acquisition of the land use right of a parcel of land with a site area of approximately 455,652 sq. m. which is located at Xiangshan, Shuibeicun, Yamen (崖門鎮水背村象山) of Xinhui District, Jiangmen City, Guangdong Province, the PRC as disclosed in the announcement of the Company dated 5 June 2020, the Group is currently developing a new campus under Huashang Vocational College on the land, the first phase of which is expected to open in September 2021. The Xinhui Campus is located at Xinhui District which enjoys thriving economic development and a growing demand for private higher education in recent years. The construction of the Xinhui Campus is consistent with the Group's strategy of expanding its network and capacity and reinforcing its industry leading position in the Greater Bay Area. The Group believes that the appointment of Guangdong Wuchuan Construction as the contractor is the most appropriate to meet the needs of the construction and development of the Xinhui Campus.

Accordingly, the Directors consider that the terms of the Xinhui Construction Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Xinhui Construction Agreement exceeds 5% but all are less than 25%, the transaction contemplated under the Xinhui Construction Agreement constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION ON 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 Guangzhou, which is part of 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).

GENERAL INFORMATION ON THE GUANGDONG WUCHUAN CONSTRUCTION

Based on the information provided by Guangdong Wuchuan Construction, it is a Class 1 construction enterprise in the PRC which is principally engaged in construction works and related businesses. It possesses qualifications in respect of contracting in various areas including building construction, building renovation and decoration, environmental protection engineering, municipal public works, construction mechanical and electrical installation engineering, construction labour operations, foundation engineering, fire protection facilities engineering, waterproof, anticorrosive and thermal insulation engineering, building curtain wall engineering, steel structure engineering, urban lighting engineering, water conservancy and hydroelectric engineering etc..

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the entire equity interest of Guangdong Wuchuan Construction is beneficially owned by Yang Xiaoyong* (杨小雍) and Huang Yumei* (黄钰梅) as to 15% each, Lin Xiangyun* (林翔云), Feng Huanquan* (冯焕权), Zheng Min* (郑敏) as to 10% each, and Liang Tujin* (梁土金), Yang Xiaoqi* (杨小琦), Liang Guomei* (梁国梅), Zhang Quanmin* (张全民), Huang Linbao* (黄林保), Liang Cong* (梁聪), Ye Zhiqiang* (叶志强) and Pan Chuguang* (潘处光) as to 5% each, each of them an Independent Third Party.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the 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)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Wuchuan Construction”	Guangdong Wuchuan Construction and Installation Engineering Co., Ltd.* (廣東吳川建築安裝工程有限公司), a company established in the PRC with limited liability and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huashang Vocational College”	Guangzhou Huashang Vocational College (廣州華商職業學院), a private school registered as a private non-enterprise unit under the law of the PRC on 25 June 2009, and a wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are independent of and not connected with any directors, chief executives, controlling Shareholders and substantial Shareholders of the Company or any of its subsidiaries and their respective associates
“Listing Rules”	the rules governing the listing of securities on the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“Xinhui Campus”	the campus of Huashang Vocational College located in Xinhui District, Jiangmen City, Guangdong Province, the PRC
“Xinhui Construction Agreement”	the construction agreement dated 6 November 2020 entered into between Huashang Vocational Collage and Guangdong Wuchuan Construction in relation to the construction of the Xinhui Teaching Facilities

“Xinhui Teaching
Facilities”

the teaching facilities to be constructed at Phase I of the Xinhui Campus under the Xinhui Construction Agreement, including but not limited to Teaching Building No. 2, Teaching Building No. 3, Student Dormitory No. 4, Teaching Building No. 5, Student Dormitory No. 6, Conference Centre No. 7, Staff Dormitory No. 8, Library No. 10, Student Dormitory No. 11, roads and other ancillary civil and fire protection constructions

“%”

per cent

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

Hong Kong, 6 November 2020

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.