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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Huali University Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s), or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**Huali University Group Limited**  
**华立大学集团有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1756)**

**CONNECTED TRANSACTION INVOLVING THE ENTERING INTO OF THE  
SUPPLEMENTAL AGREEMENTS TO THE STRUCTURED CONTRACTS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



**Vinco Capital Limited**

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A notice convening the extraordinary general meeting of the Company to be held at 6/F, The Administration Building of Guangzhou Huali Science and Technology Town, No. 11 Huali Road, Zengcheng District, Guangzhou, Guangdong Province, PRC on Wednesday, April 20, 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 50 of this circular.

A form of proxy for use at the Company's Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude the Company's shareholders from attending and voting at the meeting or any adjournment thereof if they so wish and in such event, the proxy shall be deemed to be revoked.

All times and dates specified herein refer to Hong Kong local times and dates.

March 29, 2022

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Business Cooperation Agreement”	the business cooperation agreement entered into by and among XZ Huali, Huali Investment, the PRC Operating Entities and the Registered Shareholder dated March 23, 2017 (supplemented on November 27, 2017 and August 30, 2018)
“Company”	Huali University Group Limited (华立大学集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1756)
“Director(s)”	the director(s) of the Company
“Equity Pledge Agreement”	the equity pledge agreement entered into by and among the XZ Huali, Huali Investment and the Registered Shareholder dated August 30, 2018
“Exclusive Call Option Agreement”	the exclusive call option agreements entered into by and among the Registered Shareholder, Huali Investment, the PRC Operating Entities and XZ Huali dated March 23, 2017 and August 30, 2018
“Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among XZ Huali, Huali Investment and the PRC Operating Entities dated March 23, 2017 (supplemented on August 30, 2018)
“Existing Contractual Arrangements”	the series of contractual arrangements, as the case may be, entered into by, among others, the Registered Shareholder, Huali Investment, the PRC Operating Entities and XZ Huali, details of which are described in the section headed “Contractual Arrangements” in the Prospectus
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 6/F, The Administration Building of Guangzhou Huali Science and Technology Town, No. 11 Huali Road, Zengcheng District, Guangzhou, Guangdong Province, PRC on Wednesday, April 20, 2022 at 10:00 a.m. or any adjournment thereof, the notice of which is set out on pages EGM-1 to EGM-2 of this circular
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huali College”	Guangzhou Huali College 廣州華立學院 (formerly known as Huali College Guangdong University of Technology (廣東工業大學華立學院), a private independent college established under the laws of the PRC on January 11, 2006, and a consolidated affiliated entity of the Company

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## DEFINITIONS

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“Huali Investment”	Guangzhou Huali Investment Company Limited (廣州華立投資有限公司), being the School Sponsor of each of the PRC Operating Entities, a company established in the PRC with limited liability on June 15, 1999 and a consolidated entity of the Company
“Huali Technician College”	Guangdong Province Huali Technician College (廣東省華立技師學院), a private tertiary vocational school established under the laws of the PRC on August 20, 2003, of which the school sponsor’s interest is wholly owned by Huali Investment, and a consolidated affiliated entity of the Company
“Huali Vocational College”	Guangzhou Huali Science and Technology Vocational College (廣州華立科技職業學院), a formal higher education institution established under the laws of the PRC on July 19, 2005, of which the school sponsor’s interest is wholly owned by Huali Investment, and a consolidated affiliated entity of the Company
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, which has been established by the Board for the purpose of advising the Independent Shareholders on the Supplemental Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vincio Capital”	Vincio Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed to make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Supplemental Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those required to abstain from voting on the resolution(s) approving the Supplemental Agreements and the transactions contemplated thereunder
“IPO Waiver”	the waiver granted by the Stock Exchange to the Company on November 11, 2019 from strict compliance with (i) the announcement, circular and Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules
“Latest Practicable Date”	March 24, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing”	listing of the Share on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Shares are listed on the Main Board of the Stock Exchange, being November 25, 2019

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“Negative List”	the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)(2018年版)》(issued by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the Ministry of Commerce of the PRC (中華人民共和國商務部) on June 28, 2018 and effective on July 28, 2018), the Foreign Investment Access Special Management Measures (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》(issued by the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC on June 30, 2019 and effective on July 30, 2019), the Foreign Investment Access Special Management Measures (Negative List) (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》(issued by the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC on June 23, 2020 and effective on July 23, 2020) and the Foreign Investment Access Special Management Measures (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》(issued by the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC on December 27, 2021 and effective on January 1, 2022)
“New Contractual Arrangements”	a series of contractual arrangements entered into among each of the Registered Shareholder, the New Shareholder, Huali Investment, the PRC Operating Entities and XZ Huali, details of which are described in the section headed “The Entering into of the Supplemental Agreements” in this circular
“New Shareholder”	Mr. Zhang Zhifan (張智帆), the brother of the Registered Shareholder
“New Shareholder’s Spouse Undertaking”	the spouse undertaking executed by the spouse of the New Shareholder dated December 7, 2021
“PRC”	the People’s Republic of China which, for the purpose of this circular only, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Operating Entities”	the Company’s consolidated affiliated entities, namely, Huali College, Huali Vocational College and Huali Technician College
“Prospectus”	the prospectus of the Company dated November 14, 2019
“Registered Shareholder” or “Mr. Zhang”	Mr. Zhang Zhifeng (張智峰), a Controlling Shareholder, the chairman of the Board, the chief executive officer of the Company, the executive Director and also the sole shareholder of Huali Investment as at the Latest Practicable Date

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## DEFINITIONS

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“School Sponsor(s)”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“School Sponsor’s and Directors’ Rights Entrustment Agreement”	the school sponsor’s and directors’ rights entrustment agreement entered into by and among Huali Investment, the directors nominated by Huali Investment to each of the PRC Operating Entities and XZ Huali dated March 23, 2017 (supplemented on August 30, 2018, September 28, 2018, April 23, 2019, July 22, 2019 and October 10, 2019)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement dated December 7, 2021 and entered into between the Registered Shareholder and the New Shareholder
“Sino-Foreign Regulation”	the Regulations on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》) promulgated by the State Council on 1 March 2003, taking effect as from 1 September 2003, amended on 18 July 2013, and further amended on 2 March 2019
“Spouse Undertaking”	the spouse undertaking executed by the spouse of the Registered Shareholder dated March 23, 2017 (supplemented on August 30, 2018)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	including the Business Cooperation Agreement, the Equity Pledge Agreement and the Spouse Undertaking and other agreements through which the Company obtain control over and derive the economic benefits from the PRC Operating Entities. Further details of which are set out in the section headed “Structured Contracts” of the Prospectus
“Subscription”	the subscription of 0.001% of the registered capital of Huali Investment by the New Shareholder by way of capital contribution in the amount of RMB4,000
“Supplemental Agreements”	collectively, the Supplemental Business Cooperation Agreement, the Supplemental Equity Pledge Agreement, the New Shareholder’s Spouse Undertaking and the Shareholders’ Agreement
“Supplemental Business Cooperation Agreement”	the supplemental business cooperation agreement dated December 7, 2021 entered into among XZ Huali, Huali Investment, the PRC Operating Entities, the Registered Shareholder and the New Shareholder to supplement the Business Cooperation Agreement

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## DEFINITIONS

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“Supplemental Equity Pledge Agreement”	the supplemental equity pledge agreement dated December 7, 2021 entered into among XZ Huali, Huali Investment, the Registered Shareholder and the New Shareholder to supplement the Equity Pledge Agreement
“XZ Huali”	Xizang Huali Shengda Information Technology Limited (西藏華立盛大信息科技有限公司), an enterprise established under the laws of PRC on January 18, 2017, which is an indirectly wholly owned subsidiary of the Company
“%”	per cent.

In this circular, the terms “close associate(s)”, “core connected person(s)”, “controlling shareholder(s)”, “subsidiary/subsidiaries” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

**Huali University Group Limited**  
**华立大学集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1756)**

*Executive Directors*

Mr. Zhang Zhifeng (*Chairman*)  
Mr. Ye Yaming  
Mr. Zhang Yude  
Mr. Zou Kang

*Independent Non-executive Directors*

Ms. Chiu Lai Kuen Susanna, M.H., J.P.  
Mr. Yang Ying  
Mr. Ding Yi

*Registered office*

P.O. Box 309, Uglan House  
Grand Cayman KY1-1104  
Cayman Islands

*Headquarters in the PRC*

The Administration Building of  
Guangzhou Huali Science  
and Technology Town  
No. 11 Huali Road  
Zengcheng District  
Guangzhou  
Guangdong Province  
PRC

*Principal place of business in*

*Hong Kong*  
40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

March 29, 2022

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING THE ENTERING INTO OF THE  
SUPPLEMENTAL AGREEMENTS TO THE STRUCTURED CONTRACTS;  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide Shareholders with the notice of Extraordinary General Meeting and information in respect of the resolution to be proposed at the Extraordinary General Meeting for the entering into of the Supplemental Agreements.



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## LETTER FROM THE BOARD

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### THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENTS

Reference is made to the Prospectus in relation to, among other things, the Structured Contracts and the IPO Waiver.

Huali Investment is the School Sponsor and control each of the PRC Operating Entities through the Structured Contracts. As disclosed in the announcement of the Company dated December 7, 2021, Huali Investment is a one-person limited liability company. Pursuant to article 58 of the Company Law (the “**Company Law**”) of the PRC, one natural person can establish merely a one-person limited liability company, which shall not establish any more one-person limited liability company. Given that Huali Investment is a limited liability company established in the PRC and is wholly owned by Mr. Zhang immediately prior to the Subscription, it is a “one-person limited liability company” under the Company Law. As such, Huali Investment is not allowed to invest and/or establish any new wholly owned subsidiary (which will be a new one-person limited liability company).

Further, in light of the implementation of the Regulations on the Implementation of the Non-state Education Promotion Law of the PRC\* (民辦教育促進法實施條例) which encourage private schools to use internet technology to carry out online educational activities, the Board intended to develop the Company’s businesses in a way that is conducive to the implementation of the said regulation. A value-added telecommunication business licence is required for the provision of such internet information services and foreign investors are not eligible for such licence under the applicable regulations in the PRC. Accordingly, the Company planned to set up different subsidiaries through Huali Investment to operate these businesses and other businesses that imposed restrictions to foreign investors.

The Company also noted that there are several government policies proposed to require private schools in the PRC to opt for being for-profit or non-profit schools. In anticipation of the promulgation and/or implementation of such laws, rules or policies in the near future, Guangzhou Huali College (廣州華立學院), Guangzhou Huali Science and Technology Vocational College (廣州華立科技職業學院) and Guangdong Province Huali Technician College (廣東省華立技師學院) intended to follow the relevant requirement and convert to a for-profit private school. Should these schools be converted into for-profit private schools, they will be registered as limited liability companies and become wholly subsidiaries of Huali Investment. In order to facilitate its business operation, Huali Investment intends to set up different subsidiaries. As such, Huali Investment needs to introduce a new shareholder to achieve such purpose and upon completion of the Subscription, Huali Investment will be owned as to 99.999% (with the corresponding registered capital in the amount of RMB400,000,000) and 0.001% (with the corresponding registered capital in the amount of RMB4,000) each by the Registered Shareholder and the New Shareholder, respectively. After completion of the Subscription, Huali Investment will no longer be a one-person limited liability company and can therefore invest and/or establish new wholly owned subsidiaries.

Due to the Subscription, Supplemental Agreements have been entered into on December 7, 2021. Save for accommodating the necessary changes for the addition of New Shareholder as an incoming shareholder of Huali Investment, no other changes to the Structured Contracts have been made by the Supplemental Agreements. Further, save for the Supplemental Agreements, other Structured Contracts were not amended or supplemented. In particular, no amendments shall be made to the Exclusive Technical Service and Management Consultancy Agreement and the School Sponsor’s and Directors’ Rights Entrustment Agreement as the shareholder(s) of Huali Investment is not a party to these agreements. In addition, as the New Shareholder entrusted his voting rights in Huali Investment to Mr. Zhang Zhifeng under the Shareholders’ Agreement, no amendments shall be made to School Sponsor’s and Directors’ Rights Entrustment Agreement and the Exclusive Call Option Agreement. Set out below are certain details of the Supplemental Agreements:

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## LETTER FROM THE BOARD

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### *Supplemental Business Cooperation Agreement*

Parties : (i) XZ Huali  
(ii) Huali College  
(iii) Huali Vocational College  
(iv) Huali Technician College  
(v) Huali Investment  
(vi) Mr. Zhang  
(vii) Mr. Zhang Zhifan

XZ Huali is an investment holding company established under the laws of PRC in January 2017 and is an indirectly wholly owned subsidiary of the Company.

Huali College is a private independent college established under the laws of the PRC in January 2006 and was converted into an independent general undergraduate college with the approval by the MOE in May 2021. It offers four- to five-year undergraduate programs granting bachelor degrees accredited by the MOE. The school sponsor's interest in Huali College is wholly owned by Huali Investment.

Huali Vocational College is a formal higher education institution established under the laws of the PRC in July 2005 and offers three-year vocational programs granting junior college diplomas accredited by the MOE. The school sponsor's interest in Huali Vocational College is wholly owned by Huali Investment.

Huali Technician College is a private technician school established under the laws of the PRC in August 2003 and is primarily offering three-year, full-time vocational programs granting technician diplomas of Huali Technician College accredited by the Department of Human Resources and Social Security of Guangdong Province and short-term intensive vocational programs. The school sponsor's interest in Huali Technician College is wholly owned by Huali Investment.

Huali Investment is a company established under the laws of the PRC in June 1999 and is the school sponsor of each of the PRC Operating Entities. It is 99.999% owned by Mr. Zhang and 0.001% owned by Mr. Zhang Zhifan.

Mr. Zhang is the founder of Huali Investment and a Controlling Shareholder, the chairman of the Board and an executive Director.

Mr. Zhang Zhifan is a staff of Huali Investment and the brother of Mr. Zhang.

Term of agreement : Effective on the date falling upon the passing of the relevant resolution by the Independent Shareholders at the Extraordinary General Meeting to the earlier of (i) XZ Huali having fully exercised its call option under the Exclusive Call Option Agreement; or (ii) XZ Huali terminating the Business Cooperation Agreement.

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## LETTER FROM THE BOARD

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Details of agreement : Pursuant to the Supplemental Business Cooperation Agreement, XZ Huali shall provide technical services, management support and consulting services, necessary for the private education business, and in return, the PRC Operating Entities and Huali Investment shall make payments pursuant to the Structured Contracts.

### *Supplemental Equity Pledge Agreement*

Parties : (i) Mr. Zhang  
(ii) Mr. Zhang Zhifan  
(iii) Huali Investment  
(iv) XZ Huali

Term of agreement : effective on the date falling upon the passing of the relevant resolution by the Independent Shareholders at the Extraordinary General Meeting to the performance of the contractual obligations, the full settlement of all amounts guaranteed under the Equity Pledge Agreement or all Structured Contracts have been invalidated or terminated, whichever is later.

Details of agreement : Pursuant to the Supplemental Equity Pledge Agreement, Mr. Zhang Zhifan unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in Huali Investment together with all related rights thereto to XZ Huali as security for performance of the obligations of Mr. Zhang Zhifan, Huali Investment and the PRC Operating Entities under the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by XZ Huali as a result of any event of default (if any) on the part of Mr. Zhang Zhifan, Huali Investment or each of the PRC Operating Entities and all expenses incurred by XZ Huali as a result of enforcement of the obligations of Mr. Zhang Zhifan, Huali Investment and/or each of the PRC Operating Entities under the Structured Contracts.

### *The New Shareholder's Spouse Undertaking*

Pursuant to the New Shareholder's Spouse Undertaking, the spouse of Mr. Zhang Zhifan has irrevocably undertaken that:

- (a) she has full knowledge of and has consented to the entering into of the Supplemental Agreements by Mr. Zhang Zhifan, and in particular, the arrangements set out in the Structured Contracts (including the Supplemental Agreements) in relation to the restrictions imposed on the equity interest in Huali Investment, the pledge or transfer of the equity interest in Huali Investment, and the disposal of the equity interest in Huali Investment in any other form;
- (b) she has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to Huali Investment and the PRC Operating Entities;

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## LETTER FROM THE BOARD

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- (c) she authorizes the Mr. Zhang Zhifan and/or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Huali Investment in order to safeguard the interest of XZ Huali under the Structured Contracts and the Supplemental Agreements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;
- (d) any undertaking, confirmation, consent and authorization under the New Shareholder's Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the equity interest held by Mr. Zhang Zhifan in Huali Investment;
- (e) any undertaking, confirmation, consent and authorization under the New Shareholder's Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by the death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (f) all undertakings, confirmations, consents and authorizations under the New Shareholder's Spouse Undertaking shall continue to be valid and binding until otherwise terminated by both XZ Huali and the spouse by in writing. The New Shareholder's Spouse Undertaking shall have the same term as and incorporate the terms of the Supplemental Business Cooperation Agreement.

Pursuant to the IPO Waiver, no change to the Structured Contracts can be made without the approval of the Independent Shareholders. The Supplemental Agreements are therefore subject to the approval of the Independent Shareholders at the Extraordinary General Meeting. Pursuant to the IPO Waiver, if any terms of the Structured Contracts and the transactions contemplated thereunder are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

### **Listing Rules implications**

The transactions contemplated under the Structured Contracts and the Supplemental Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Listing. The table below sets out the connected persons of the Company involved in the Structured Contracts and the Supplemental Agreements and the nature of their connection with the Group:

<b>Name</b>	<b>Connected relationship</b>
Mr. Zhang	Mr. Zhang is a Controlling Shareholder, the chairman of the Board and an executive Director and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.
Mr. Zhang Zhifan	Mr. Zhang Zhifan is the brother of Mr. Zhang and is therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules.

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## LETTER FROM THE BOARD

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<b>Name</b>	<b>Connected relationship</b>
Huali Investment	Huali Investment is 99.999% owned by Mr. Zhang, a Controlling Shareholder, the chairman of the Board and an executive Director. As such, Huali Investment is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.
Huali College	The entire school sponsor's interest in Huali College is owned by Huali Investment. Huali College is therefore an associate of Mr. Zhang and a connected person of the Company pursuant to Rule 14A.07 and Rule 14A.13 of the Listing Rules.
Huali Vocational College	The entire school sponsor's interest in Huali Vocational College is owned by Huali Investment. Huali Vocational College is therefore an associate of Mr. Zhang and a connected person of the Company pursuant to Rule 14A.07 and Rule 14A.13 of the Listing Rules.
Huali Technician College	The entire school sponsor's interest in Huali Technician College is owned by Huali Investment. Huali Technician College is therefore an associate of Mr. Zhang and a connected person of the Company pursuant to Rule 14A.07 and Rule 14A.13 of the Listing Rules.

Mr. Zhang Zhifeng has a material interest in the transactions contemplated under the Supplemental Agreements and has abstained from voting on the Board resolution(s) for considering and approving the Supplemental Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors are required to abstain from voting on the Board resolution(s) for considering and approving the Supplemental Agreements and the transactions contemplated thereunder.

### **Reasons and benefit of entering into of the Supplemental Agreements**

The Directors (including the independent non-executive Directors having taking into account the advice of the Independent Financial Adviser) are of the view that the Structured Contracts (including the Supplemental Agreements) and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts (including the Supplemental Agreements) and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of the PRC Operating Entities and any member of the Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that the Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts (including the Supplemental Agreements), it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and Independent Shareholders' approval requirements.

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## LETTER FROM THE BOARD

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### Reasons for entering into the Structured Contracts

The Group is principally engaged in the operation of private higher and vocational education institutions.

As explained previously under the section headed “INTRODUCTION” in this letter, one natural person can establish merely a one-person limited liability company, which shall not establish any more one-person limited liability company pursuant to the Company Law. Given that Huali Investment is a limited liability company established in the PRC and is wholly owned by Mr. Zhang immediately prior to the Subscription, it is a “one-person limited liability company” under the Company Law. As such, Huali Investment is not allowed to invest and/or establish any new wholly owned subsidiary (which will be a new one-person limited liability company). We understand that Huali Investment needs to introduce a new shareholder to set up different subsidiaries in order to facilitate its business operation. As such, upon completion of the Subscription, Huali Investment will be owned as to 99.999% (with the corresponding registered capital in the amount of RMB400,000,000) and 0.001% (with the corresponding registered capital in the amount of RMB4,000) each by the Registered Shareholder and the New Shareholder, respectively. After completion of the Subscription, Huali Investment will no longer be a one person limited liability company and can therefore invest and/or establish new wholly owned subsidiaries. Given the above reason, we are of the view that it is reasonable for the Company to enter to the Supplemental Agreement for accommodating the necessary changes for the addition of New Shareholder as an incoming shareholder of Huali Investment as to comply with the Company Law and minimise the potential conflicts with the PRC laws, rules and regulations. Also, the Supplemental Agreements enable the Group to gain effective control over and derive the economic benefits from the PRC Operating Entities.

Furthermore, as advised by the Company’s PRC legal adviser and the given Legal Opinion, pursuant to the Negative List, higher education in the PRC is a “restricted” industry. In particular, the Negative List explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign sponsors may only operate higher educational institutions through joint ventures with PRC-incorporated entities that are in compliance with the Sino-Foreign Regulations. In addition, the Negative List also provides that the domestic sponsor shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national (with which we had fully complied); and (b) the representative 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. In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and high quality of education (the “**Higher Education Qualification Requirement**”). Furthermore, pursuant to the Implementation Opinions of the Ministry of Education on Encouraging and Guiding Private Capital’s Entry into the Education Sector and Promoting the Sound Development of Private Education(《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50%.

Further, pursuant to the Negative List, vocational education in the PRC is the “permitted” industry. However, the Administrative Measures for the Sino-Foreign Cooperative Education on Vocational Skills Training (《中外合作職業技能培訓辦學管理辦法》) (“**Sino-Foreign Vocational Skills Training Measures**”) explicitly restrict vocational education to Sino-foreign cooperation, which means that foreign investors similarly may only operate vocational training schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulations. In addition, pursuant to Sino-Foreign Vocational Skills Training Measures, for schools offering vocational education, similar to the Higher Education Qualification Requirement, the foreign investor in the Sino-Foreign Joint Venture

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## LETTER FROM THE BOARD

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Private Vocational Education School must be a foreign education institution with relevant qualification and high quality of education (the “**Vocational Education Qualification Requirement**”) (Higher Education Qualification Requirement and Vocational Education Qualification Requirement are collectively referred as “**Qualification Requirement**”).

The Guangdong governmental authority has not promulgated any implementing measures or specific guidance pursuant to the Sino-Foreign Regulations as of the Latest Practicable Date. The Company’s PRC Legal Adviser has advised that it is currently uncertain as to what specific criteria must be met by a foreign school sponsor (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 Requirement.

Therefore, the Group has been conducting its private education business in the PRC through the PRC Operating Entities under the Structured Contracts and all economic benefits arising from the business of the PRC Operating Entities and Huali Investment have been transferred to XZ Huali.

Having considered the above, we are of the view that the entering into of the Supplemental Agreements is conducted in the ordinary and usual course of the Group’s business and are in the interests of both the Company and the Shareholders as a whole.

### *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 Guangzhou Arbitration Committee in Guangzhou, the PRC under in prevailing effective arbitration rules. 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 and property interest and other assets of Huali Investment and/or each of the PRC Operating Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of Huali Investment or the PRC Operating Entities; 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 our Company, Huali Investment and the PRC Operating Entities are located shall be considered as having jurisdiction for the above purposes.

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## LETTER FROM THE BOARD

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### ***Protection in the event of death, bankruptcy or divorce of the Registered Shareholder and the New Shareholder***

Pursuant to the Spouse Undertaking and the New Shareholder's Spouse Undertaking, the spouse of each of Mr. Zhang and Mr. Zhang Zhifan has irrevocably undertaken that, among others, she authorizes Mr. Zhang/Mr. Zhang Zhifan (as the case may be) and/or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on her behalf in relation to the spouse's equity interest in Huali Investment in order to safeguard the interests of XZ Huali under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by the death, loss of or restriction on capacity of the spouse, divorce or other similar events.

In addition, pursuant to the Business Cooperation Agreement and Supplemental Business Cooperation Agreement, each of Mr. Zhang and Mr. Zhang Zhifan has undertaken to XZ Huali that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his interest in Huali Investment, he shall have made all necessary arrangements and do all things necessary such that his successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts.

### ***Protection in the event of winding up or liquidation of Huali Investment***

In addition to the protection under the Equity Pledge Agreement and the Supplemental Equity Pledge Agreement, pursuant to the Business Cooperation Agreement and the Supplemental Business Cooperation Agreement, each of Mr. Zhang, Mr. Zhang Zhifan and Huali Investment have undertaken to XZ Huali that, in the event of merger or subdivision of Huali Investment, presentation by Huali Investment or Huali Investment with any application for winding up, liquidation, restructuring or reconciliation, dissolution and liquidation of Huali Investment pursuant to an order, application for involuntary dissolution of Huali Investment, or other circumstance which may affect Huali Investment's ability to exercise its school sponsor's interest in the PRC Operating Entities, they shall make all necessary arrangements and sign all necessary documents such that the successor, administrator, liquidation committee and any other person, which may as a result of the above events obtain the school sponsor's interest or relevant rights in the PRC Operating Entities, shall not prejudice or hinder the enforcement of the Structured Contracts.

### ***Protection in the event of dissolution or liquidation of the PRC Operating Entities and Huali Investment***

Pursuant to the Business Cooperation Agreement and the Supplemental Business Cooperation Agreement, in the event of the dissolution or liquidation of the PRC Operating Entities, Huali Investment, the Registered Shareholder and the New Shareholder undertake that, among other things, (i) XZ Huali shall have the right to exercise all school sponsor's rights on behalf of Huali Investment and the rights of shareholders of Huali Investment; (ii) the Registered Shareholder, the New Shareholder and Huali Investment shall transfer all assets received or receivable in its capacity as shareholder of Huali Investment or school sponsor of each of the PRC Operating Entities as a result of the dissolution or liquidation of the PRC Operating Entities and Huali Investment to XZ Huali or other persons designated by the Group at nil consideration, and instruct all of the PRC Operating Entities and Huali Investment to transfer assets directly to XZ Huali before such dissolution or liquidation; (iii) if any consideration is required for such transfer under the then applicable PRC laws, Huali Investment, the Registered Shareholder and the New Shareholder shall compensate XZ Huali or the person designated by XZ Huali the amount of consideration and indemnify XZ Huali or the other person designated by XZ Huali against any loss incurred.



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## LETTER FROM THE BOARD

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### *Loss sharing*

In the event that the PRC Operating Entities or Huali Investment incur any loss or encounter any operational crisis, XZ Huali may, but is not obliged to, provide financial support to the PRC Operating Entities.

None of the agreements constituting the Structured Contracts provide that the Company or its wholly-owned PRC subsidiary, XZ Huali, is obligated to share the losses of the PRC Operating Entities or Huali Investment or provide financial support to the PRC Operating Entities or Huali Investment. Further, each of the PRC Operating Entities and Huali Investment shall be solely liable for its own debts and any losses with recourse limited to the assets owned by it.

Under PRC laws and regulations, the Company or XZ Huali, is not expressly required to share the losses of the PRC Operating Entities and Huali Investment or provide financial support to the PRC Operating Entities and Huali Investment. However, given that the PRC Operating Entities' or Huali Investment's financial condition and results of operations are consolidated into the Group's financial condition and results of operations under applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if the PRC Operating Entities or Huali Investment suffer losses. However, the restrictive provisions contained in the Structured Contracts are designed so as to limit, as far as possible, the potential adverse effect on XZ Huali and the Company of resulting from any loss suffered by the PRC Operating Entities or Huali Investment, the potential adverse effect on XZ Huali and the Company in the event of any loss suffered by the PRC Operating Entities or Huali Investment can be limited to a certain extent.

### *Conflict of interest*

The Group has in place arrangements to address the potential conflicts of interest between the Registered Shareholder and the New Shareholder on the one hand, and the Company on the other hand. Pursuant to the Business Cooperation Agreement and the Supplemental Business Cooperation Agreement, each of the Registered Shareholder and the New Shareholder undertakes to XZ Huali that, unless with the prior written consent of XZ Huali, he shall not directly or indirectly engage, participate in, conduct, acquire or hold any competing business with the Group and shall require the entity engaging in such competing business to cease operation. The Directors are of the view that the measures the Group have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between Huali Investment, the Registered Shareholder and the New Shareholder on the one hand, and the Company on the other hand.

### *Limitation in exercising the option to acquire school sponsor's interest of the PRC Operating Entities*

The exercise of the option to acquire school sponsor's interest of the PRC Operating Entities may be subject to certain limitations and the Company may incur substantial costs to exercise the option to acquire the school sponsor's interests in the PRC Operating Entities. Pursuant to the Exclusive Call Option Agreement, XZ Huali or its designated purchaser has the exclusive right to purchase all or part of the school sponsor's interest in the PRC Operating Entities or all or part of the Registered Shareholder's interest in Huali Investment at the lowest price permitted under the PRC laws and regulations. In the event that XZ Huali or its designated purchaser acquires the school sponsor's interests in the PRC Operating Entities and the relevant PRC authorities determine that the purchase price for acquiring the school sponsor's interest of the PRC Operating Entities is below market value, XZ Huali or its designated purchaser may be required to pay enterprise income tax with reference to the market value which may be substantial and could materially and adversely affect our business, financial condition and results of operations.

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## LETTER FROM THE BOARD

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### *Termination*

Each of the Structured Contracts provides that: (a) each of the Structured Contracts shall be terminated upon the completion of the purchase of the interest in the PRC Operating Entities and Huali Investment by XZ Huali or any other party designated by XZ Huali from Registered Shareholder or Huali Investment pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement and the Supplemental Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all secured indebtedness has been repaid in full, or all of the Structured Contracts have been terminated whichever is later; (b) XZ Huali shall have the right to terminate the Structured Contracts by serving a 30-day notice; and (c) each of the PRC Operating Entities, Huali Investment, the Registered Shareholder and the New Shareholder shall not be entitled to unilaterally terminate the Structured Contracts in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow XZ Huali or the Company to directly hold all or part of the interest in the PRC Operating Entities and operate private education business in the PRC, XZ Huali shall exercise the call option as soon as practicable to purchase the maximum amount of equity interest permissible under relevant PRC laws and regulations, and upon exercise in full of the call option and the acquisition of all of the school sponsor's interest of Huali Investment in the PRC Operating Entities and the interest of the Registered Shareholder and the New Shareholder by XZ Huali or any other party designated by XZ Huali pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated.

### *Insurance*

The Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts and the Supplemental Agreements.

### **Listing Rules Implications**

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from strict compliance with the applicable reporting, announcement and Independent Shareholders' approval requirements relating to the annual caps, three years term and fee terms of Chapter 14A of the Listing Rules in connection with the continuing connected transactions involving the Group in the form of the Existing Contractual Arrangements. The IPO Waiver is subject to the following conditions:

***(a) No change without independent non-executive Directors' approval***

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

***(b) No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the Structured Contracts will be made without the approval of the Company's independent Shareholders.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of the Company (as set out in paragraph (e) below) will however continue to be applicable.

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## LETTER FROM THE BOARD

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***(c) Economic benefits flexibility***

The Structured Contracts will continue to enable the Group to receive the economic benefits derived by the PRC Operating Entities through (i) the Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the school sponsor's interest held by Huali Investment at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by the PRC Operating Entities is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to XZ Huali by the PRC Operating Entities under the Exclusive Technical Service (as defined in the Prospectus) and Management Consultancy Agreement (as defined in the Prospectus), and (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Operating Entities as appointed by Huali Investment in the PRC Operating Entities.

***(d) Renewal and reproduction***

On the basis that the Structured Contracts provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, and the PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and, or reproduction of the Structured Contracts, however be treated as connected persons of the Company and transactions between these connected persons and the Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

***(e) Ongoing reporting and approvals***

The Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in the Company's annual report in accordance with relevant provisions of the Listing Rules.
- The independent non-executive Directors will review the Structured Contracts annually and confirm in the Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by the PRC Operating Entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to the Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between the Group and the PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

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## LETTER FROM THE BOARD

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- The Company’s auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to the Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by the PRC Operating Entities to the holders of its school sponsor’s interest which are not otherwise subsequently assigned or transferred to the Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, each of the PRC Operating Entities will be treated as the Company’s wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of the PRC Operating Entities and their respective associates will be treated as connected persons of the Company, and transactions between these connected persons and the Group, other than those under the Structured Contracts, will be subject to requirements under Chapter 14A of the Listing Rules.

Save for accommodating the necessary changes for the addition of New Shareholder as an incoming shareholder of Huali Investment, no other changes to the Structured Contracts have been made by the Supplemental Agreements, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the IPO Waiver and be exempt from strict compliance with: (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the terms of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver as disclosed in the section headed “Connected Transactions” in the Prospectus.

### **Board’s View on the New Contractual Arrangements**

Based on the above, the Board is of the view that the New Contractual Arrangements are enforceable under the relevant PRC Laws and they are narrowly tailored to achieve the PRC Operating Entities’ business purpose and minimise the potential conflicts with the relevant PRC laws. The Supplemental Agreements enable the Group to gain effective control over and derive the economic benefits from the PRC Operating Entities. Pursuant to the relevant provisions of the Supplemental Agreements, the Company has the right to unwind the Structured Contracts (including the Supplemental Agreements) as soon as the relevant PRC laws allow the Company to register itself as the shareholder of the PRC Operating Entities. The Board confirms that appropriate arrangements have been made to protect the Company’s interests in the PRC Operating Entities in the event of bankruptcy of the PRC Operating Entities and death, bankruptcy or divorce of the Registered Shareholder and the New Shareholder to avoid any practical difficulties in enforcing the New Contractual Arrangements. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the PRC Operating Entities had not encountered any interference or encumbrance from any governing bodies in operating its business under the Structured Contracts (including the Supplemental Agreements).

The Board confirms that the Board has assessed the requirements under all applicable rules as set out in the section headed “Reasons for entering into the Structured Contracts” in the Letter from the Board in this circular, and the Company’s PRC legal adviser confirmed that the New Contractual Arrangements comply with PRC laws, rules and regulations.

Taking into account the terms of the Supplemental Agreements, the disclosures made in this circular and the advice of its PRC legal advisers, the Board confirms that each of the applicable requirements set out in the guidance letter HKEx-GL77-14 has been complied with.

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## LETTER FROM THE BOARD

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### NOTICE OF EXTRAORDINARY GENERAL MEETING

Set out on pages EGM-1 to EGM-2 of this circular is the notice of Extraordinary General Meeting at which, inter alia, resolution will be proposed to Shareholders to consider and approve the entering into of the Supplemental Agreements and the transactions contemplated thereunder.

### GENERAL

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Supplemental Agreements and the transactions contemplated thereunder, and as to whether the Supplemental Agreements are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As Mr. Zhang Zhifeng has a material interest in the Supplemental Agreement, he and his associates (including Huali Education Holdings Limited), a controlling shareholder of the Company which held 900,000,000 Shares (representing 75% of the issued share capital of the Company) as at the Latest Practicable Date, will be required to abstain from voting on the resolution in relation to the Supplemental Agreements and the transactions contemplated thereunder to be proposed at the Extraordinary General Meeting.

### FORM OF PROXY

A form of proxy for use at the Extraordinary General Meeting is enclosed. Such form of proxy is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you intend to attend the Extraordinary General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the Extraordinary General Meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

### VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 13.5 of the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the Extraordinary General Meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of Extraordinary General Meeting will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the proposed resolution for the entering into of the Supplemental Agreements are in the best interests of the Company and the Shareholders as a whole. Further, your attention is also drawn to the letter from the Independent Board Committee set out on page 21 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 22 to 50 of this circular, considers that the Supplemental Agreements were entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting to approve the entering of the Supplemental Agreements and the transactions contemplated thereunder. The Directors therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting.

### GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

The English text of this circular and form of proxy shall prevail over the Chinese text.

Yours faithfully,  
On behalf of the Board  
**Huali University Group Limited**  
**Zhang Zhifeng**  
*Chairman*

**Huali University Group Limited**  
**华立大学集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1756)**

March 29, 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING THE ENTERING INTO OF THE  
SUPPLEMENTAL AGREEMENTS TO THE STRUCTURED CONTRACTS**

We refer to the circular dated March 29, 2022 (the “**Circular**”) of Huali University Group Limited (the “**Company**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Supplemental Agreements and the transactions contemplated thereunder. Vinco Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board on pages 6 to 20 of the Circular, which sets out the terms of the Supplemental Agreements and the transactions contemplated thereunder. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 22 to 50 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreements and the transactions contemplated thereunder.

**RECOMMENDATION**

Having taken into account the advice and recommendations of the Independent Financial Adviser, we consider that the terms of the Supplemental Agreements are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Supplemental Agreements is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the Extraordinary General Meeting to approve the entering into of the Supplemental Agreements and the transactions contemplated thereunder.

Yours faithfully,  
**For and on behalf of**  
**The Independent Board Committee of**  
**Huali University Group Limited**

**Ms. Chiu Lai Kuen Susanna,**  
**M.H., J.P.**  
*Independent non-executive*  
*Director*

**Mr. Yang Ying**  
*Independent non-executive*  
*Director*

**Mr. Ding Yi**  
*Independent non-executive*  
*Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Supplemental Agreements and the transactions contemplated thereunder for the purpose of incorporation in this circular:*



**Vinco Capital Limited**

Unit 2610, 26/F., The Center

99 Queen's Road Central, Hong Kong

29 March 2022

*To the Independent Board Committee and  
the Independent Shareholders of Huali University Group Limited*

Dear Sirs,

### **CONNECTED TRANSACTION INVOLVING THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENTS TO THE STRUCTURED CONTRACTS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Supplemental Agreements and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 29 March 2022 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Prospectus in relation to, among other things, the Structured Contracts and the IPO Waiver. Huali Investment is the School Sponsor of each of the PRC Operating Entities of the Group, each of Huali Investment and the PRC Operating Entities are controlled by the Company through the Structured Contracts. As disclosed in the announcement of the Company dated 7 December 2021, Huali Investment is a one-person limited liability company. Pursuant to article 58 of the Company Law (the “**Company Law**”) of the PRC, one natural person can establish merely a one-person limited liability company, which shall not establish any more one-person limited liability company. Given that Huali Investment is a limited liability company established in the PRC and is wholly owned by Mr. Zhang immediately prior to the Subscription, it is a “one-person limited liability company” under the Company Law. As such, Huali Investment is not allowed to invest and/or establish any new wholly owned subsidiary (which will be a new one-person limited liability company).

Further, in light of the implementation of the Regulations on the Implementation of the Non-state Education Promotion Law of the PRC\* (民辦教育促進法實施條例) which encourage private schools to use internet technology to carry out online educational activities, we consider it is reasonable for the Company's businesses to be developed in a way that is conducive to the implementation of the said regulation. A value-added telecommunication business licence is required for the provision of such internet information services and foreign investors are not eligible for such licence under the applicable regulations in the PRC. Accordingly, the Company planned to set up different subsidiaries through Huali Investment to operate these businesses and other businesses that imposed restrictions to foreign investors.

\* For identification purpose only



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As discussed with the management of the Company, the Company also noted that there are several government policies proposed to require private schools in the PRC to opt for being for-profit or non-profit schools. In anticipation of the promulgation and/or implementation of such laws, rules or policies in the near future, Guangzhou Huali College (廣州華立學院), Guangzhou Huali Science and Technology Vocational College (廣州華立科技職業學院) and Guangdong Province Huali Technician College (廣東省華立技師學院) intended to follow the relevant requirement and convert to a for-profit private school. Should these schools be converted into for-profit private schools, they will be registered as limited liability companies and become wholly subsidiaries of Huali Investment. In order to facilitate its business operation, Huali Investment intends to set up different subsidiaries. As such, Huali Investment needs to introduce a new shareholder to achieve such purpose and upon completion of the Subscription, Huali Investment will be owned as to 99.999% (with the corresponding registered capital in the amount of RMB400,000,000) and 0.001% (with the corresponding registered capital in the amount of RMB4,000) each by the Registered Shareholder and the New Shareholder, respectively. After completion of the Subscription, Huali Investment will no longer be a one-person limited liability company and can therefore invest and/or establish new wholly owned subsidiaries.

On 7 December 2021, Supplemental Agreements have been entered into due to the Subscription. Save for accommodating the necessary changes for the addition of New Shareholder as an incoming shareholder of Huali Investment, no other changes to the Structured Contracts have been made by the Supplemental Agreements. Further, save for the Supplemental Agreements, other Structured Contracts were not amended or supplemented. In particular, no amendments shall be made to the Exclusive Technical Service and Management Consultancy Agreement and the School Sponsor's and Directors' Rights Entrustment Agreement as the shareholder(s) of Huali Investment is not a party to these agreements. In addition, as the New Shareholder entrusted his voting rights in Huali Investment to Mr. Zhang Zhifeng under the Shareholders' Agreement, no amendments shall be made to School Sponsor's and Directors' Rights Entrustment Agreement and the Exclusive Call Option Agreement.

As at the Latest Practicable Date, Huali Investment was 99.999% and 0.001% directly owned by the Registered Shareholder and the New Shareholder. Huali Investment is therefore a connected person of the Company and the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Registered Shareholder has a material interest in the Supplemental Agreements, he and his associates (including Huali Education Holdings Limited), a controlling shareholder of the Company which held 900,000,000 Shares (representing 75% of the issued share capital of the Company) as at the Latest Practicable Date, will be required to abstain from voting on the resolution in relation to the Supplemental Agreements and the transactions contemplated thereunder to be proposed at the Extraordinary General Meeting. Save as disclosed above, none of the Directors are required to abstain from voting on the Board resolution(s) for considering and approving the Supplemental Agreements and the transactions contemplated thereunder.

Pursuant to the IPO Waiver, no change to the Structured Contracts can be made without the approval of the Independent Shareholders. The Supplemental Agreements are therefore subject to the approval of the Independent Shareholders at the Extraordinary General Meeting. Pursuant to the IPO Waiver, if any terms of the Structured Contracts and the transactions contemplated thereunder are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Zhang Zhifeng, Mr. Ye Yaming, Mr. Zhang Yude and Mr. Zou Kang as the executive Directors; and Ms. Chiu Lai Kuen Susanna, M.H., J.P., Mr. Yang Ying and Mr. Ding Yi as the independent non-executive Directors.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Supplemental Agreements and the transactions contemplated thereunder, and as to whether the Supplemental Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listing Rules, our role is to give an independent opinion as to whether the Supplemental Agreements were entered into on normal commercial terms following arm's length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, Vinco Capital has been appointed and approved by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company or any parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.80 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Supplemental Agreements and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, we were appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the continuing connected transactions and the proposed annual caps for the three years ending 31 August 2023. Details of the relevant transactions are set out in the circular of the Company dated 28 August 2020. The professional fees in connection with the past appointment have been fully settled and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Supplemental Agreements and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreements and the transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, the management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the transactions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the transactions. The Company has been separately advised by its own professional advisers with respect to the transactions and the preparation of the Circular (other than this letter).

We have assumed that the transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

We consider that we have reviewed all currently available information and documents, among others: (i) the prospectus of the Company dated 14 November 2019, (ii) the annual report of the Company for the year ended 31 August 2021 (the “**2021 Annual Report**”); (iii) the announcement of the Company dated 7 December 2021 in relation to the addition of new shareholder of a subsidiary; (iv) the Supplemental Agreements dated 7 December 2021; (v) the minutes of the meeting of the board of Directors of XZ Huali dated 7 December 2021; (vi) the relevant registration certificates and school license of Huali College, Huali Vocational College and Huali Technician College; (vii) the Shareholders’ Agreement dated 7 December 2021 and (viii) the legal opinion regarding the contractual arrangement and the Supplemental Agreements dated 15 February 2022 (the “**Legal Opinion**”) which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Supplemental Agreements and the transactions contemplated thereunder as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in respect of the Supplemental Agreements and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole in part, nor shall this letter be used for any other purposes, without our prior written consent.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the transactions, we have taken into account the following principal factors:

#### 1. Background information of the parties to the transactions

##### *1.1 Information of the Group*

According to the Letter from the Board, the Group is a large-scale private higher education and vocational education group in South China, offering applied science-focused and practice-oriented programs.

The table below summaries the consolidated financial results of the Group for the two years ended 31 August 2020 and 2021 (“FY2020” and “FY2021” respectively) as extracted from the 2021 Annual Report:

Table 1: Summary of the consolidated financial results of the Group

	<b>FY2020</b> <i>(audited)</i> RMB\$'000	<b>FY2021</b> <i>(audited)</i> RMB\$'000
Revenue		
— Tuition fees	732,721	813,324
— Boarding fees	28,760	68,332
Total revenue	761,481	881,656
Gross profit	452,579	470,513
Profit before taxation	310,934	169,631
Profit for the year attributable to owners of the Company	306,669	143,459

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>As at 31 August 2020</b>	<b>As at 31 August 2021</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	4,152,464	5,385,871
Current assets	905,742	943,356
Current liabilities	715,055	1,234,907
Net current assets (liabilities)	190,687	(291,551)
Non-current liabilities	1,666,333	2,408,915
Total equity	2,676,818	2,685,405

**(i) For the year ended 31 August 2021 (i.e. FY2021)**

In FY2021, the Group's total revenue amounted to approximately RMB881.7 million, representing an increase of approximately 15.8% year-on-year from approximately RMB761.5 million for the corresponding period of last year, which was attributable to the increase in both student enrolment and average tuition fees for the year ended 31 August 2021. Following the increase in revenue, the Group's gross profit increased by approximately 4.0% from approximately RMB452.6 million in FY2020 to approximately RMB470.5 million in FY2021.

In FY2021, profit attributable to owners of the Company amounted to approximately RMB143.5 million, representing a decrease of approximately 53.2% as compared to the profit of approximately RMB306.7 million in FY2020, which was mainly attributable to the increase in (i) selling expenses from approximately RMB15.5 million in FY2020 to approximately RMB26.1 million in FY2021; (ii) administrative expenses from approximately RMB99.1 million in FY2020 to approximately RMB103.2 million in FY2021; and (iii) other losses including but not limited to compensation fee for the conversion of Huali College, net exchange losses and losses on disposals of property, plant and equipment from approximately RMB3.3 million in FY2020 to approximately RMB151.9 million in FY2021.

As at 31 August 2021, the Group's total assets and total liabilities amounted to approximately RMB6.3 billion (31 August 2020: approximately RMB5.1 billion) and approximately RMB3.6 billion (31 August 2020: approximately RMB2.4 billion), respectively. The total equity remained steady at amounted to approximately RMB2.7 billion.

### **1.2 Information of the Registered Shareholder**

Mr. Zhang is a Controlling Shareholder, the chairman of the Board and an executive Director and is therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

### **1.3 Information of the New Shareholder**

Mr. Zhang Zhifan is the brother of Mr. Zhang and is therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***1.4 Information of Huali Investment***

Huali Investment is 99.999% owned by Mr. Zhang, a Controlling Shareholder, the chairman of the Board and an executive Director. As such, Huali Investment is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

### ***1.5 Information of Huali College***

The entire school sponsor's interest in Huali College is owned by Huali Investment. Huali College is therefore an associate of Mr. Zhang and a connected person of the Company pursuant to Rule 14A.07 and Rule 14A.13 of the Listing Rules.

### ***1.6 Information of Huali Vocational College***

The entire school sponsor's interest in Huali Vocational College is owned by Huali Investment. Huali Vocational College is therefore an associate of Mr. Zhang and a connected person of the Company pursuant to Rule 14A.07 and Rule 14A.13 of the Listing Rules.

### ***1.7 Information of Huali Technician College***

The entire school sponsor's interest in Huali Technician College is owned by Huali Investment. Huali Technician College is therefore an associate of Mr. Zhang and a connected person of the Company pursuant to Rule 14A.07 and Rule 14A.13 of the Listing Rules.

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Supplemental Agreements and the transactions contemplated thereunder, we have taken into account the principal factors and reasons set out below:

## **2. Reasons for and benefits of entering into of the Supplemental Agreements and the Structured Contracts**

According to the Letter from the Board, we understand Supplemental Agreements have been entered into on 7 December 2021 due to the Subscription. Since the Structured Contracts (including the Supplemental Agreements) and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts (including the Supplemental Agreements) and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of the PRC Operating Entities and any member of the Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, given that the Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts (including the Supplemental Agreements), it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and Independent Shareholders' approval requirements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group is principally engaged in the operation of private higher and vocational education institutions.

As explained previously under the section headed “INTRODUCTION” in this letter, one natural person can establish merely a one-person limited liability company, which shall not establish any more one-person limited liability company pursuant to the Company Law. Given that Huali Investment is a limited liability company established in the PRC and is wholly owned by Mr. Zhang immediately prior to the Subscription, it is a “one-person limited liability company” under the Company Law. As such, Huali Investment is not allowed to invest and/or establish any new wholly owned subsidiary (which will be a new one-person limited liability company). We understand that Huali Investment needs to introduce a new shareholder to set up different subsidiaries in order to facilitate its business operation. As such, upon completion of the Subscription, Huali Investment will be owned as to 99.999% (with the corresponding registered capital in the amount of RMB400,000,000) and 0.001% (with the corresponding registered capital in the amount of RMB4,000) each by the Registered Shareholder and the New Shareholder, respectively. After completion of the Subscription, Huali Investment will no longer be a one person limited liability company and can therefore invest and/or establish new wholly owned subsidiaries. Given the above reason, we are of the view that it is reasonable for the Company to enter to the Supplemental Agreement for accommodating the necessary changes for the addition of New Shareholder as an incoming shareholder of Huali Investment as to comply with the Company Law and minimise the potential conflicts with the PRC laws, rules and regulations. Also, the Supplemental Agreements enable the Group to gain effective control over and derive the economic benefits from the PRC Operating Entities.

Furthermore, as advised by the Company’s PRC legal adviser and the given Legal Opinion, pursuant to the Negative List, higher education in the PRC is a “restricted” industry. In particular, the Negative List explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign sponsors may only operate higher educational institutions through joint ventures with PRC-incorporated entities that are in compliance with the Sino-Foreign Regulations. In addition, the Negative List also provides that the domestic sponsor shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall hold PRC nationality (with which the Company had fully complied); and (b) the representative 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. In relation to the interpretation of sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, the foreign investor in the sino-foreign joint venture private school must be a foreign educational institution with relevant qualification and high quality of education (the “**Higher Education Qualification Requirement**”). Furthermore, pursuant to the Implementation Opinions of the Ministry of Education on Encouraging and Guiding Private Capital’s Entry into the Education Sector and Promoting the Sound Development of Private Education\* (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a sino-foreign joint venture private school should be below 50%.

Also, pursuant to the Negative List, vocational education in the PRC is the “permitted” industry. However, the Administrative Measures for the Sino-Foreign Cooperative Education on Vocational Skills Training\* (《中外合作職業技能培訓辦學管理辦法》) (“**Sino-Foreign Vocational Skills Training Measures**”) explicitly restricts vocational education to sino-foreign cooperation, which means that foreign investors similarly may only operate vocational training schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulations. In addition, pursuant to Sino-Foreign Vocational Skills Training Measures, for schools offering vocational education, similar to the Higher Education Qualification Requirement, the foreign investor in the Sino-Foreign Joint Venture Private Vocational Education School must be a foreign education institution with relevant qualification and high quality of education (the “**Vocational Education Qualification Requirement**”) (Higher Education Qualification Requirement and Vocational Education Qualification Requirement are collectively referred as “**Qualification Requirement**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Guangdong governmental authority has not promulgated any implementing measures or specific guidance pursuant to the Sino-Foreign Regulations as of the Latest Practicable Date. The Company's PRC legal adviser has advised that it is currently uncertain as to what specific criteria must be met by a foreign school sponsor (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 Requirement.

Therefore, the Group has been conducting its private education business in the PRC through the PRC Operating Entities under the Structured Contracts and all economic benefits arising from the business of the PRC Operating Entities and Huali Investment have been transferred to XZ Huali.

Having considered the above, we are of the view that the entering into of the Supplemental Agreements is conducted in the ordinary and usual course of the Group's business and are in the interests of both the Company and the Shareholders as a whole.

### 3. The Supplemental Agreements

#### 3.1 *The principal terms*

As extracted from the Letter from the Board, set out below are certain details of the Supplemental Agreements:

##### *Supplemental Business Cooperation Agreement*

- Parties:
- (i) XZ Huali
  - (ii) Huali College
  - (iii) Huali Vocational College
  - (iv) Huali Technician College
  - (v) Huali Investment
  - (vi) Mr. Zhang
  - (vii) Mr. Zhang Zhifan

XZ Huali is an investment holding company established under the laws of PRC in January 2017 and is an indirectly wholly owned subsidiary of the Company.

Huali College is a private independent college established under the laws of the PRC in January 2006 and was converted into an independent general undergraduate college with the approval by the MOE in May 2021. It offers four- to five-year undergraduate programs granting bachelor degrees accredited by the MOE. The school sponsor's interest in Huali College is wholly owned by Huali Investment.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Huali Vocational College is a formal higher education institution established under the laws of the PRC in July 2005 and offers three-year vocational programs granting junior college diplomas accredited by the MOE. The school sponsor's interest in Huali Vocational College is wholly owned by Huali Investment.

Huali Technician College is a private technician school established under the laws of the PRC in August 2003 and is primarily offering three-year full-time vocational programs granting technician diplomas of Huali Technician College accredited by the Department of Human Resources and Social Security of Guangdong Province and short-term intensive vocational programs. The school sponsor's interest in Huali Technician College is wholly owned by Huali Investment.

Huali Investment is a company established under the laws of the PRC in June 1999 and is the school sponsor of each of the PRC Operating Entities. It is 99.999% owned by Mr. Zhang and 0.001% owned by Mr. Zhang Zhifan.

Mr. Zhang is a Controlling Shareholder, the chairman of the Board and an executive Director.

Mr. Zhang Zhifan is the brother of Mr. Zhang.

Term of agreement: Effective on the date falling upon the passing of the relevant resolution by the Independent Shareholders at the Extraordinary General Meeting to the earlier of (i) XZ Huali having fully exercised its call option under the Exclusive Call Option Agreement; or (ii) XZ Huali terminating the Business Cooperation Agreement.

Details of agreement: Pursuant to the Supplemental Business Cooperation Agreement, XZ Huali shall provide technical services, management support and consulting services, necessary for the private education business, and in return, the PRC Operating Entities and Huali Investment shall make payments pursuant to the Structured Contracts.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Supplemental Equity Pledge Agreement*

- Parties:
- (i) Mr. Zhang
  - (ii) Mr. Zhang Zhifan
  - (iii) Huali Investment
  - (iv) XZ Huali
- Term of agreement: Effective on the date falling upon the passing of the relevant resolution by the Independent Shareholders at the Extraordinary General Meeting to the performance of the contractual obligations, the full settlement of all amounts guaranteed under the Equity Pledge Agreement or all Structured Contracts have been invalidated or terminated, whichever is later.
- Details of agreement: Pursuant to the Supplemental Equity Pledge Agreement, Mr. Zhang Zhifan unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in Huali Investment together with all related rights thereto to XZ Huali as security for performance of the obligations of Mr. Zhang Zhifan, Huali Investment and the PRC Operating Entities under the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by XZ Huali as a result of any event of default (if any) on the part of Mr. Zhang Zhifan, Huali Investment or each of the PRC Operating Entities and all expenses incurred by XZ Huali as a result of enforcement of the obligations of Mr. Zhang Zhifan, Huali Investment and/or each of the PRC Operating Entities under the Structured Contracts.

### *The New Shareholder's Spouse Undertaking*

Pursuant to the New Shareholder's Spouse Undertaking, the spouse of Mr. Zhang Zhifan has irrevocably undertaken that:

- (a) she has full knowledge of and has consented to the entering into of the Supplemental Agreements by Mr. Zhang Zhifan, and in particular, the arrangements set out in the Structured Contracts (including the Supplemental Agreements) in relation to the restrictions imposed on the equity interest in Huali Investment, the pledge or transfer of the equity interest in Huali Investment, and the disposal of the equity interest in Huali Investment in any other form;
- (b) she has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to Huali Investment and the PRC Operating Entities;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (c) she authorizes Mr. Zhang Zhifan and/or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Huali Investment in order to safeguard the interest of XZ Huali under the Structured Contracts and the Supplemental Agreements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;
- (d) any undertaking, confirmation, consent and authorization under the New Shareholder's Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the equity interest held by Mr. Zhang Zhifan in Huali Investment;
- (e) any undertaking, confirmation, consent and authorization under the New Shareholder's Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by the death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (f) all undertakings, confirmations, consents and authorizations under the New Shareholder's Spouse Undertaking shall continue to be valid and binding until otherwise terminated by both XZ Huali and the spouse by in writing. The New Shareholder's Spouse Undertaking shall have the same term as and incorporate the terms of the Supplemental Business Cooperation Agreement.

Pursuant to the IPO Waiver, no change to the Structured Contracts can be made without the approval of the Independent Shareholders. The Supplemental Agreements are therefore subject to the approval of the Independent Shareholders at the Extraordinary General Meeting. Pursuant to the IPO Waiver, if any terms of the Structured Contracts and the transactions contemplated thereunder are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

### ***3.2 Our analysis regarding the Supplemental Agreements***

In accordance with the Stock Exchange's Guidance Letter HKEx-GL77-14 which provides guidance to listed issuers using contract-based arrangements or structures to indirectly own and control any part of their businesses, the structured contracts should be narrowly tailored to achieve the issuer's business purpose and minimise the potential conflict with the relevant PRC laws and regulations, and the issuer should obtain a PRC legal opinion that the contractual arrangements comply with the PRC laws, rules and regulations. Accordingly, we have obtained and reviewed the Prospectus of the Company, the Supplemental Agreements and the Structured Contracts and confirmed with the management of the Company that:

- (i) each of the PRC Operating Entities and Huali Investment was duly incorporated and is validly existing, and their respective establishments are valid, effective and complies with the relevant PRC laws and regulations, the Registered Shareholder is a natural person with full civil and legal capacity. Each of the PRC Operating Entities and Huali Investment has also obtained all material approvals and completed all material registrations required by the PRC laws and regulations to conduct its current business and has the capacity to carry out its business operations in accordance with its licenses and approvals;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under the PRC laws and regulations. However, whereas the Structured Contracts provide that the arbitral body specified under the Structured Contracts may award remedies over the shares and/or assets of the PRC Operating Entities, injunctive relief and/or winding up of the PRC Operating Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, but under the PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in the PRC Operating Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in China. The PRC legal adviser is also of the view that the Structured Contracts do not, individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Structured Contracts do not violate the provisions of the Civil Code of the People's Republic of China\* (中華人民共和國民法典) or other applicable PRC laws and regulations;
- (iii) each of the Structured Contracts is not in violation of provisions of the articles of association of the PRC Operating Entities, Huali Investment and XZ Huali;
- (iv) each of the Structured Contracts, including but not limited to the various undertakings made by Huali Investment in the Structured Contracts is legal, valid and binding under the PRC laws and regulations, entering into, and the performance of, the Structured Contracts does not require to obtain any approvals or authorizations from the PRC governmental authorities to be obtained, except that; (i) the pledge of any increased equity interest in Huali Investment by the Registered Shareholder for the benefit of XZ Huali is subject to registration requirements with the relevant local branch of the State Administration for Industry and Commerce of the PRC\* (中華人民共和國國家工商行政管理總局); (ii) the transfer of the School Sponsor's interests in the PRC Operating Entities contemplated under the Structured Contracts will be subject to whatever applicable approval and/or registration requirements exist under the then applicable PRC laws; (iii) the transfer of equity interest in Huali Investment contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws; and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement;
- (v) the PRC government may find that the Structured Contracts do not comply with the applicable PRC laws and regulations, which may subject the Group to severe penalties and the business may be materially adversely affected yet we have confirmed with the management of the Company that there was no history of having such issue up to the Latest Practicable Date;
- (vi) there is substantial uncertainty with respect to the interpretation and implementation of the Foreign Investment Law of the PRC\* (中華人民共和國外國投資法) and how it may impact the viability of the current corporate structure, corporate governance and business operations yet we have confirmed with the management of the Company that there was no history of having such issue up to the Latest Practicable Date;

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- (vii) the Structured Contracts may not be as effective in providing control over the PRC Operating Entities as direct ownership yet there was no history of having such issue up to the Latest Practicable Date;
- (viii) any failure by the PRC Operating Entities or their respective ultimate Shareholders to perform their obligations under the Structured Contracts would potentially lead to the Company having to incur additional costs and expend substantial resources to enforce such arrangements, temporary or permanent loss of control over the primary operations or loss of access to the primary sources of revenue yet there was no history of having such issue up to the Latest Practicable Date;
- (ix) the Registered Shareholder may have conflicts of interest with the Company, which may materially adversely affect the business and financial condition of the Company yet there was no history of having such issue up to the Latest Practicable Date;
- (x) certain terms of the Structured Contracts may not be enforceable under the PRC laws yet there was no history of having such issue up to the Latest Practicable Date;
- (xi) the Structured Contracts may be subject to scrutiny of PRC tax authorities and additional tax may be imposed, which could materially adversely affect the results of operation and value of the investment for the Company yet there was no history of having such issue up to the Latest Practicable Date;
- (xii) the Company may not meet the qualification requirement that the foreign investor in a sino-foreign joint venture school offering higher education and vocational education must be a foreign education entity with relevant qualification and there are no guidelines regarding the Qualification Requirement from the Guangdong governmental authority up to the Latest Practicable Date;
- (xiii) the Company's exercise of the option to acquire school sponsor's interest of the PRC Operating Entities may be subject to certain limitations and it may incur substantial costs and expend significant resources to enforce the Structured Contracts if any of the PRC Operating Entities fails to perform its obligations thereunder yet there was no history of having such issue up to the Latest Practicable Date;
- (xiv) the Company relies on dividends and other payments from XZ Huali to pay dividends and other cash distributions to the Shareholders yet there was no history of having difficulties in the above matter up to the Latest Practicable Date;
- (xv) the PRC Operating Entities may be subject to limitations on their ability to operate private education or make payments to related parties yet there was no history of having such issue up to the Latest Practicable Date;
- (xvi) if any of the PRC Operating Entities or Huali Investment becomes subject to winding up or liquidation proceedings, they may lose the ability to enjoy certain important assets, which could negatively impact the business and materially adversely affect the ability to generate revenue yet there was no history of having such issue up to the Latest Practicable Date; and

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(xvii) save for accommodating the necessary changes for the addition of New Shareholder as an incoming shareholder of Huali Investment, no other changes to the Structure Contracts have been made by the Supplemental Agreements.

Having considered the above, we are of the view that the Supplemental Agreements take into account of the principles set out in the Stock Exchange’s guidance letter HKEX-GL-77-14 and the terms of the Supplemental Agreements are on normal commercial terms, fair and reasonable.

### Listing Rules implications

The Structured Contracts are formed to facilitate the set up of different subsidiaries through Huali Investment to operate the business that imposed restriction to foreign investors. Given the Supplemental Agreements and the Structured Contracts are of paramount importance to the operation of the business such as the provision of internet information services which the Company intend to develop, it is commercially desirable for the Supplemental Agreements and Structured Contracts to be made in order to secure the economic benefits from the business of Huali Investment.

In order to access the fairness and reasonableness of the terms of the Supplemental Agreements, we have identified a list of contract-based arrangements or structures adopted by companies listed on the Stock Exchange (the “**Comparable Company(ies)**”) as announced during the period commencing from 8 December 2020, being the twelve-month period prior to the date of the Supplemental Agreements, up to the Latest Practicable Date (the “**Review Period**”). The nature of the comparable transactions is comparable to the Company regardless their various industries because they are all relevant to the contract-base arrangements which enable the companies to obtain control over the operating businesses of the PRC companies in which foreign investment is restricted by the relevant PRC laws and regulations (the “**Comparable Transactions**”), which is the similar structure of the New Contractual Arrangements. To the best of the knowledge and as far as we are aware of, we identified 24 Comparable Transactions which were announced during the Review Period and have not lapsed as at the Latest Practicable Date. The following table sets forth the relevant details of the Comparable Transactions:

Table 2: Details of the Comparable Transactions

Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement	Restrictions	Annual cap under contractual arrangement
14 December 2020	2399	Exclusive business consultation and technical services	No fixed terms	To engage in the value-added business which falls in the foreign ownership restrictions under the PRC laws	Foreign investment in value-added telecommunications service business in the PRC is restricted to less than 50% equity interests holding	Waiver granted by the Stock Exchange from setting a maximum aggregate annual cap for the service fees payable under the contractual arrangement under Rule 14A.53 of the Listing Rules

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement	Restrictions	Annual cap under contractual arrangement
20 January 2021	1525	Provision of technical services, management support and consulting services necessary for the private education business	No fixed terms	To achieve the group's business purpose while minimizing the potential conflict with relevant PRC laws and regulations	The foreign portion of the total investment in a sino-foreign joint venture private school should be below 50%	Waiver granted by the Stock Exchange to the company from strict compliance with the requirement of setting a maximum aggregate annual value for the fees payable under the contractual arrangement
8 February 2021	3315	Provision of technological consultation and services on company management and business strategy, website design, design, installation, debugging and maintenance services for computer network systems, system integration, system maintenance, server maintenance, database support and software services, and other related services	No fixed terms	To engage in restricted business under the contractual arrangement due to the foreign ownership restriction	The ratio of investment by a foreign investor in a company providing value-added telecommunications services shall not exceed 50%	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable under the contractual arrangement

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<b>Date of announcement</b>	<b>Company name (Stock code)</b>	<b>Business contemplated under the contractual arrangement</b>	<b>Duration of the contractual arrangement</b>	<b>Reasons to establish the contractual arrangement</b>	<b>Restrictions</b>	<b>Annual cap under contractual arrangement</b>
17 March 2021	1357	Provision of business support, technical and consulting services including technical services, network support, business consultation, intellectual property licensing, equipment, leasing, marketing consultancy, system integration, product research and development and system maintenance	10 years (may be extended)	To comply with the PRC laws and regulation on foreign ownership restriction of	The foreign investors are restricted from holding more than 50% equity interests in a foreign-invested enterprise	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual value under Rule 14A.53 of the Listing Rules for the fees payable under the contractual arrangement
30 April 2021	351	Provision of technical, consultancy and other services	No fixed terms	To conduct the business of value-added telecommunications services via the contractual arrangement due to the foreign investment restrictions	The proportion of foreign ownership in its business partners shall not exceed 50%	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual cap for the fees payable under the contractual arrangement pursuant to Rule 14A.53 of the Listing Rules



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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement	Restrictions	Annual cap under contractual arrangement
26 May 2021	6078	Provision of services including business, financing and investment, medical technology related consultation, medical resources sharing and medical professionals training, human resources management, market research, strategies for marketing and business expansion, supplier and inventory management, operation and marketing strategy formulation and monitoring, medical service quality control, internal management and other services relating to management and operation of medical institutions and shareholder's rights and investment management	Three years (automatically renewable)	To obtain the maximum economic benefits of operating the hospitals via the contractual arrangement due to the applicable laws and regulatory restrictions on foreign ownership	Foreign investors are not allowed to own 100% of the equity interest in medical institution	Waiver granted by the Stock Exchange to the company from setting an annual cap for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules

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<b>Date of announcement</b>	<b>Company name (Stock code)</b>	<b>Business contemplated under the contractual arrangement</b>	<b>Duration of the contractual arrangement</b>	<b>Reasons to establish the contractual arrangement</b>	<b>Restrictions</b>	<b>Annual cap under contractual arrangement</b>
21 June 2021	1387	Provision of technical support, consulting services and other services on an exclusive basis	No fixed terms	To comply with the PRC laws while enjoying the entire economic interests and benefits	Foreign investors of a value-added telecommunication services (except e-commerce, domestic conferencing, store-and-forward and call center services) company may not hold an equity interest more than 50% in the company	Full exemption under Rule 14A.76 of the Listing Rules as all of the applicable percentage ratios are less than 1%
24 June 2021	6078 <sup>Note</sup>	Provision of services including business, financing and investment, medical technology related consultation, medical resources sharing and medical professionals training, human resources management, market research, strategies for marketing and business expansion, supplier and inventory management, operation and marketing strategy formulation and monitoring, medical service quality control, internal management and other	Three years (automatically renewable)	To obtain the maximum economic benefits of operating the hospitals via the contractual arrangement due to the applicable laws and regulatory restrictions on foreign ownership	Foreign investors are not allowed to own 100% of the equity interest in medical institution	Waiver granted by the Stock Exchange to the company from setting an annual cap for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement	Restrictions	Annual cap under contractual arrangement
		services relating to management and operation of medical institutions and shareholder's rights and investment management				
30 July 2021	1357	Production of a commercial artificial intelligence skin analyser, a contact skin analyser, an artificial intelligence cleansing brush and an artificial intelligence smart mirror	10 years (may be extended)	Narrowly tailored to address limitations on foreign ownership under the PRC laws to the extent practicable and designed to minimize the potential for conflict with the relevant PRC laws and regulations	Restrictions on foreign investors conducting value-added telecommunications services	Waiver granted by the Stock Exchange to the company from setting annual caps for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules
10 September 2021	909	Provision of technical support, consultation and other services	No fixed terms	To comply with the PRC laws and regulations whilst availing the group being able to access international capital markets and maintaining effective control over all of the operations	The current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the internet and other related businesses, such as provision of internet information services for profits	Waiver granted by the Stock Exchange to the company from strict compliance with the requirement of setting an annual cap for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement	Restrictions	Annual cap under contractual arrangement
27 September 2021	764	Provision of online marketing solution including provision of advertising ideas, production of short video advertisements and distribution of content to different online platforms and monitoring the performances of the advertisements	No fixed terms	To comply with the applicable PRC laws via contractual arrangement in order to enable the company to be entitled to enjoy all actual or potential economic interests and benefits	The ratio of investment by a foreign investor in a company providing value-added telecommunications services shall not exceed 50%	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable under the contractual arrangement
8 October 2021	419	Provision of comprehensive technical and business support and related consultancy services	10 years (automatically renewable)	To comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties	Foreign investor who invests in a value-added telecommunications services company is restricted to no more than 50% foreign investment	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the fees payable under the contractual arrangement
26 November 2021	3773	Provision of exclusive management and operation services	No fixed terms	To allow the company operates certain business under the applicable laws and regulatory restrictions on foreign ownership in telecommunications industry in the PRC	Foreign investment related to value-added telecommunication services is subject to significant restrictions under the applicable PRC laws and regulations	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules under the contractual arrangement
26 November 2021	1951	Provision of technical support, consulting services and other services	Three years (automatically renewable)	To enable the group to conduct business in the medical industry whilst in compliance with the applicable PRC laws and regulatory restrictions on foreign ownership	Medical institutions may not be held 100% by foreign investors and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture	Waiver granted by the Stock Exchange to the company from setting an annual cap for the transactions under the contractual arrangement pursuant to Rule 14A.53 of the Listing Rules

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement	Restrictions	Annual cap under contractual arrangement
14 December 2021	0382	Provision of technical, management support, consulting, public relationship maintenance, market research and marketing services necessary for conducting the private education activities	No fixed terms	To achieve the business purpose of the company and to manage any potential conflict with and are enforceable under the relevant PRC laws and regulations	Secondary training services are subject to restrictions on foreign ownership under the relevant PRC laws and regulations	Waiver granted by the Stock Exchange to the company from setting a maximum annual cap for the services fee payment under Rule 14A.53 of the Listing Rules
20 December 2021	9928	Provision of exclusive business, technical, and consulting support services	10 years (automatically renewable)	To comply with the PRC laws while engaging in the qualified business through a sino-foreign equity joint venture or direct acquisition of the equity interest of the target company	The ultimate proportion of contribution of its foreign investors shall not be more than 50%	Waiver granted by the Stock Exchange to the company from setting an annual cap for the transactions under the contractual arrangement pursuant to Rule 14A.53 of the Listing Rules
20 December 2021	419	Provision of comprehensive technical and business support and related consultancy services	10 years (automatically renewable)	To comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties	Foreign investor who invests in a value-added telecommunications services company is restricted to no more than 50% foreign investment	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the fees payable under the contractual arrangement
21 December 2021	6078	Exclusive provision of technical support, consulting services and other services	Three years (automatically renewable)	To obtain the economic benefits of the business and to prevent leakages of equity and values to the minority shareholders of the business	Foreign entity shall not directly or indirectly hold more than 70% equity interest in each of the hospitals in the PRC	Waiver granted by the Stock Exchange from setting an annual cap for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules

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<b>Date of announcement</b>	<b>Company name (Stock code)</b>	<b>Business contemplated under the contractual arrangement</b>	<b>Duration of the contractual arrangement</b>	<b>Reasons to establish the contractual arrangement</b>	<b>Restrictions</b>	<b>Annual cap under contractual arrangement</b>
23 December 2021	1911	Exclusive provision of technical support, consultation and other services	No fixed terms	To make certain strategies investments in business or portfolio companies that are subject to foreign investment restrictions in the PRC under the applicable PRC laws and regulations	The ownership percentage by foreign investors in value-added telecommunication business cannot exceed 50%	Waiver granted by the Stock Exchange from setting an annual cap for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules
18 January 2022	0776	Provision of consulting and management services	No fixed terms	To enable the financial results, the entire economic benefits and the risks of the businesses of the acquired target company to flow into the company to enable the company to have indirect control over the acquired target company	Foreign investors are prohibited from investing in the internet cultural services business in the PRC	Waiver granted by the Stock Exchange from setting maximum aggregate annual caps for the management services fee payable pursuant to Rule 14A.53 of the Listing Rules
27 January 2022	1951	Exclusive provision of technical support, consulting services and other services	Three years (automatically renewable)	To comply with the applicable PRC laws and regulatory restrictions on foreign ownership in order to enable the company to conduct business in the medical industry	Medical institution may not be held 100% by foreign investors and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture	Waiver granted by the Stock Exchange from setting an annual cap for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules
9 March 2022	1980	Provision of exclusive technology services	20 years (automatically renewable)	To recognize and receive the economic benefits of the business and operations of the companies in PRC to the extent permitted by the PRC law	Foreign investors are not allowed to hold more than 50% of the equity interest of the company providing value added telecommunication services	Waiver granted by the Stock Exchange to the company from setting the annual caps for the fees payable under the contractual arrangement pursuant to Rule 14A.53 of the Listing Rules

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Date of announcement	Company name (Stock code)	Business contemplated under the contractual arrangement	Duration of the contractual arrangement	Reasons to establish the contractual arrangement	Restrictions	Annual cap under contractual arrangement
22 March 2022	772	Provision of exclusive technical support, consultation and other services	No fixed terms	To exercise control over the operations of the companies in PRC and enjoy the economic benefits generated while complying with the applicable laws and regulations	Foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunication services	Waiver granted by the Stock Exchange to the company from setting an annual cap for the transactions under the contractual arrangement under Rule 14A.53 of the Listing Rules
22 March 2022	6833	Provision of comprehensive marketing, promotion and channel management service for imported pharmaceutical products in PRC	Subject to further announcement	To comply with the relevant laws and regulations in the PRC while enjoying the future economic interests and benefits	Medical institutions may not be held 100% by foreign investors	Waiver granted by the Stock Exchange to the company from setting a maximum aggregate annual cap for the fees payable under the contractual arrangement pursuant to Rule 14A.53 of the Listing Rules

*Source:* the website of the Stock Exchange

*Note:*

The parties involved in the contractual arrangement within the same group are different and therefore there were two announcements dated 26 May 2021 and 24 June 2021 respectively.

As shown in Table 2 above, a series of contractual arrangements was entered into by the Comparable Companies with the relevant PRC operating company(ies) and/or their respective shareholders such that those Comparable Companies can effectively control the PRC operating company(ies) and therefore consolidate the financial results of those PRC operating company(ies) into their consolidated financial statements. Save for the contractual arrangement entered into by the Company which is of no fixed terms, the duration of 12 out of 24 other contractual arrangements contemplated under the Comparable Transactions is also of no fixed terms. Among the 24 Comparable Transactions as shown above, 11 of which ranged from three years to 20 years and for those of the 3-year term could be automatically renewed and hence they are also regarded as more than three years. The duration of the remaining one contractual arrangement is subject to further announcement. As such, the duration of the Supplemental Agreements and the Structured Contracts of an indefinite term falls within the range of the duration of the contractual arrangements contemplated under the Comparable Transactions. Also, as discussed with the management of the Company, the terms of the Structured Contracts remain unchanged in the Supplemental Agreement and the Company has been in the view of not having the infinite term for the Structured Contracts would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company with the reference of other contractual arrangements adopted by companies listed on the Stock Exchange since the Company has been listed. Also, such consideration and basis of the term is in line with our analysis pursuant to the Comparable Transactions that more than 50% of the contractual arrangements entered by other listed companies in the Stock Exchange are also of no fixed terms, which explains it is a

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normal business practice for agreements of such type to be of such duration. Therefore, we consider that the duration of the Supplemental Agreements and Structured Contracts of an indefinite time is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature to the Supplemental Agreements and Structured Contracts.

Pursuant to the Supplemental Business Cooperation Agreement, XZ Huali shall provide technical services, management support and consulting services, necessary for the private education business, and in return, the PRC Operating Entities and Huali Investment shall make payments according to the Structured Contracts. Pursuant to the Supplemental Equity Pledge Agreement, Mr. Zhang Zhifan unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in Huali Investment together with all related rights thereto to XZ Huali as security for performance of the obligations of Mr. Zhang Zhifan, Huali Investment and the PRC Operating Entities under the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by XZ Huali as a result of any event of default (if any) on the part of Mr. Zhang Zhifan, Huali Investment or each of the PRC Operating Entities and all expenses incurred by XZ Huali as a result of enforcement of the obligations of Mr. Zhang Zhifan, Huali Investment and/or each of the PRC Operating Entities under the Structured Contracts. Pursuant to the New Shareholder's Spouse Undertaking, no consideration or payment is involved other than the undertaking stated under the section headed "THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENTS — The New Shareholder's Spouse Undertaking". We are of the view that setting annual caps for the services fee to be paid by each PRC Operating Entities and Huali Investment is not practicable and applicable in terms of the nature of the transactions. Also, there will be a limitation on XZ Huali in respect of the full capture of the economic benefits generated by each PRC Operating Entities and Huali Investment, that defects the purpose of the arrangement under the Supplemental Agreements and Structured Contracts. As shown in Table 2 above, 100% of the other contractual arrangements contemplated under the Comparable Transactions is also granted of a waiver by the Stock Exchange from setting a maximum aggregate annual cap for the fees payable, which explains not setting the annual caps for Structured Contracts is in line with the normal business practice of agreements of such nature in the market. Therefore, we concur with the view of the Directors that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements relating to the annual caps set out under Chapter 14A of the Listing Rules.

Therefore, we are of the view that it is commercially reasonable for the Company not to set maximum annual caps for the services fees payable by each PRC Operating Entities and Huali Investment to XZ Huali in order to allow effective operation of the Supplemental Agreements and Structured Contracts in respect of the full capture of economic benefits by the Group generated by PRC Operating Entities and Huali Investment.

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from strict compliance with the applicable reporting, announcement and Independent Shareholders' approval requirements relating to the annual caps, three years term and fee terms of Chapter 14A of the Listing Rules in connection with the continuing connected transactions involving the Group in the form of the Existing Contractual Arrangements. The IPO Waiver is subject to the following conditions:

***(a) No change without independent non-executive Directors' approval***

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.



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***(b) No change without Independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the Structured Contracts will be made without the approval of the Company's Independent Shareholders.

Once Independent Shareholders' approval of any change has been obtained, no further announcement or approval of the Independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of the Company (as set out in paragraph (e) below) will however continue to be applicable.

***(c) Economic benefits flexibility***

The Structured Contracts will continue to enable the Group to receive the economic benefits derived by the PRC Operating Entities through (i) the Group's option, to the extent permitted under the PRC laws and regulations, to acquire all or part of the school sponsor's interest held by Huali Investment at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by the PRC Operating Entities is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to XZ Huali by the PRC Operating Entities under the Exclusive Technical Service (as defined in the Prospectus) and Management Consultancy Agreement (as defined in the Prospectus), and (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Operating Entities as appointed by Huali Investment in the PRC Operating Entities.

***(d) Renewal and reproduction***

On the basis that the Structured Contracts provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, and the PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and, or reproduction of the Structured Contracts, however be treated as connected persons of the Company and transactions between these connected persons and the Company other than those under similar Structured Contracts (including the Supplemental Agreements) shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

***(e) Ongoing reporting and approvals***

The Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in the Company's annual report in accordance with the relevant provisions of the Listing Rules.
- The independent non-executive Directors will review the Structured Contracts annually and confirm in the Company's annual report for the relevant year that (i) the transactions carried

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out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by the PRC Operating Entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to the Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between the Group and the PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

- The Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to the Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by the PRC Operating Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to the Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of the PRC Operating Entities will be treated as the Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of the PRC Operating Entities and their respective associates will be treated as connected persons of the Company, and transactions between these connected persons and the Group, other than those under the Structured Contracts, will be subject to requirements under Chapter 14A of the Listing Rules.

Save for accommodating the necessary changes for the addition of New Shareholder as an incoming shareholder of Huali Investment, no other changes to the Structured Contracts have been made by the Supplemental Agreements, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the IPO Waiver and be exempt from strict compliance with: (i) the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the terms of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver as disclosed in the section headed "Connected Transactions" in the Prospectus.

We consider that the above mentioned conditions safeguard the interests of the Company and the Shareholders, in particular that any change to the terms of the Supplemental Agreement will require the approval from the independent non-executive Directors and the Independent Shareholders. Also, as mentioned in the Letter from the Board, the Board is of the view that the New Contractual Arrangements are enforceable under the relevant PRC Laws and they are narrowly tailored to achieve the PRC Operating Entities' business purpose and minimise the potential conflicts with the relevant PRC laws. The Supplemental Agreements enable the Group to gain effective control over and derive the economic benefits from the PRC Operating Entities. We understand the Company has the right to unwind the Structured Contracts (including the Supplemental Agreements) as soon as the relevant PRC laws allow the Company to register itself as the shareholder of the PRC Operating Entities pursuant to the relevant provisions of the Supplemental Agreements. The Board confirms that appropriate arrangements have been made to

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protect the Company's interests in the PRC Operating Entities in the event of bankruptcy of the PRC Operating Entities and death, bankruptcy or divorce of the Registered Shareholder and the New Shareholder to avoid any practical difficulties in enforcing the New Contractual Arrangements. The appropriate arrangements include:

***Protection in the event of death, bankruptcy or divorce of the Registered Shareholder and the New Shareholder***

Pursuant to the Spouse Undertaking and the New Shareholder's Spouse Undertaking, the spouse of each of Mr. Zhang and Mr. Zhang Zhifan has irrevocably undertaken that, among others, she authorizes Mr. Zhang/Mr. Zhang Zhifan (as the case may be) and/or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on her behalf in relation to the spouse's equity interest in Huali Investment in order to safeguard the interests of XZ Huali under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected by the death, loss of or restriction on capacity of the spouse, divorce or other similar events.

In addition, pursuant to the Business Cooperation Agreement and Supplemental Business Cooperation Agreement, each of Mr. Zhang and Mr. Zhang Zhifan has undertaken to XZ Huali that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his interest in Huali Investment, he shall have made all necessary arrangements and do all things necessary such that his successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts.

***Protection in the event of winding up or liquidation of Huali Investment***

In addition to the protection under the Equity Pledge Agreement and the Supplemental Equity Pledge Agreement, pursuant to the Business Cooperation Agreement and the Supplemental Business Cooperation Agreement, each of Mr. Zhang, Mr. Zhang Zhifan and Huali Investment have undertaken to XZ Huali that, in the event of merger or subdivision of Huali Investment, presentation by Huali Investment or Huali Investment with any application for winding up, liquidation, restructuring or reconciliation, dissolution and liquidation of Huali Investment pursuant to an order, application for involuntary dissolution of Huali Investment, or other circumstance which may affect Huali Investment's ability to exercise its school sponsor's interest in the PRC Operating Entities, they shall make all necessary arrangements and sign all necessary documents such that the successor, administrator, liquidation committee and any other person, which may as a result of the above events obtain the school sponsor's interest or relevant rights in the PRC Operating Entities, shall not prejudice or hinder the enforcement of the Structured Contracts.

***Protection in the event of dissolution or liquidation of the PRC Operating Entities and Huali Investment***

Pursuant to the Business Cooperation Agreement and the Supplemental Business Cooperation Agreement, in the event of the dissolution or liquidation of the PRC Operating Entities, Huali Investment, the Registered Shareholder and the New Shareholder undertake that, among other things, (i) XZ Huali shall have the right to exercise all school sponsor's rights on behalf of Huali Investment and the rights of shareholders of Huali Investment; (ii) the Registered Shareholder, the New Shareholder and Huali Investment shall transfer all assets received or receivable in its capacity as shareholder of Huali Investment or school sponsor of each of the PRC Operating Entities as a result of the dissolution or liquidation of the PRC Operating Entities and Huali Investment to XZ Huali or other persons designated by the Group at nil

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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consideration, and instruct all of the PRC Operating Entities and Huali Investment to transfer assets directly to XZ Huali before such dissolution or liquidation; and (iii) if any consideration is required for such transfer under the then applicable PRC laws, Huali Investment, the Registered Shareholder and the New Shareholder shall compensate XZ Huali or the person designated by XZ Huali the amount of consideration and indemnify XZ Huali or the other person designated by XZ Huali against any loss incurred.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the PRC Operating Entities had not encountered any interference or encumbrance from any governing bodies in operating its business under the Structured Contracts (including the Supplemental Agreements).

As confirmed with the management of the Company, the Board confirms that the Board has assessed the requirements under all applicable rules as set out in the section headed “Reasons for entering into the Structured Contracts” in the Letter from the Board in this Circular, and the Company’s PRC legal adviser confirmed that the New Contractual Arrangements comply with the PRC laws, rules and regulations.

Taking into account the terms of the Supplemental Agreements, the disclosures made in the Circular and the advice of its PRC legal adviser, we are of the same view of the Board that each of the applicable requirements set out in the guidance letter HKEx-GL77-14 has been complied with.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the entering into of the Supplemental Agreements are on normal commercial terms following arm’s length negotiations between the parties thereto and in the ordinary and usual course of business of the Group, and that the terms of the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting approving the entering of the Supplemental Agreements and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Vinco Capital Limited**  
**Wilson Lam**  
*Executive Director*

*Note:* Mr. Wilson Lam is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interest of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to (i) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO; or (iii) be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”) to the were as follows:

Name of Director or chief executive	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding interest in the Company <sup>(1)</sup>
Mr. Zhang Zhifeng <sup>(2)</sup>	Settlor of trust	900,000,000 (L)	75.0%
Mr. Zhang Yude <sup>(3)</sup>	Beneficiary of trust	900,000,000 (L)	75.0%

(L) — Long position

Notes:

- (1) As at the Latest Practicable Date, the total number of issued Shares was 1,200,000,000 Shares.
- (2) The sole shareholder of Huali Education Holdings Limited is HL-Diamond Limited. The entire equity interest in HL-Diamond Limited is held on trust by UBS Nominees Limited for UBS Trustees (B.V.I.) Limited. UBS Trustees (B.V.I.) Limited is the trustee of HL-Diamond Trust. Mr. Zhang is the settlor and one of the beneficiaries of HL-Diamond Trust. Therefore, each of Mr. Zhang, HL-Diamond Limited, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited is deemed to be interested in the 900,000,000 Shares held by Huali Education Holdings Limited.
- (3) As at the Latest Practicable Date, Mr. Zhang Yude is one of the beneficiaries of HL-Diamond Trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to (i) be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) be entered into the register required to be kept by the Company under Section 352 of the SFO; or (iii) be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interest of Substantial Shareholders**

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding interest in the Company<sup>(1)</sup></b>
UBS Trustees (B.V.I.) Limited <sup>(2)</sup>	Trustee	900,000,000 (L)	75.0%
UBS Nominees Limited <sup>(2)</sup>	Interest in controlled corporation	900,000,000 (L)	75.0%
HL-Diamond Limited <sup>(2)</sup>	Interest in controlled corporation	900,000,000 (L)	75.0%
Huali Education Holdings Limited <sup>(2)</sup>	Beneficial owner	900,000,000 (L)	75.0%
51Job. Inc	Beneficial owner	68,331,000 (L)	5.7%

(L) — Long position

*Notes:*

- (1) As at the Latest Practicable Date, the total number of issued Shares was 1,200,000,000 Shares.
- (2) The sole shareholder and director of Huali Education Holdings Limited is HL-Diamond Limited. The entire equity interest in HL-Diamond Limited is held on trust by UBS Nominees Limited for UBS Trustees (B.V.I.) Limited. UBS Trustees (B.V.I.) Limited is the trustee of HL-Diamond Trust. Mr. Zhang is the settlor and one of the beneficiaries of HL-Diamond Trust. Therefore, each of HL-Diamond Limited, UBS Nominees Limited and UBS Trustees (B.V.I.) Limited is deemed to be interested in the 900,000,000 Shares held by Huali Education Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contracts with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

### 4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 August 2021, being the date to which the latest published audited accounts of the Company were made up.

Save for Mr. Zhang Zhifeng and Mr. Zhang Yude's interest in the Structured Contracts and the Supplemental Agreements, none of the Directors was materially interested in, directly or indirectly, any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

### 5. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 August 2021, being the date of which the latest published audited financial statements of the Company were made up.

### 7. CONSENT AND QUALIFICATION OF EXPERT

The following is the qualification of the expert (the "Expert") who has provided opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Vinco Capital Limited	a licensed corporation that is licensed to carry out to Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The letter, report and/or opinion from the Expert is given as at the Latest Practicable Date for incorporation in this circular. The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report and/or opinion, as the case may be, and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Expert did not have any interest in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and did not have any interest, either directly or indirectly, in any assets which have been, since 31 August 2021, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## **8. GENERAL**

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

## **9. DOCUMENTS ON DISPLAY**

Copies of the Supplemental Agreements will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hualiuniversity.com](http://www.hualiuniversity.com)) during the period from the date of this circular to the date of Extraordinary General Meeting.



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**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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**Huali University Group Limited**  
**华立大学集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 1756)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) of Huali University Group Limited (the “**Company**”) will be held at 6/F, The Administration Building of Guangzhou Huali Science and Technology Town, No. 11 Huali Road, Zengcheng District, Guangzhou, Guangdong Province, PRC on Wednesday, April 20, 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution of the Company:

**ORDINARY RESOLUTION**

“**THAT** the entering into of the Supplemental Agreements (as defined in the circular of the Company dated March 29, 2022) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

By order of the Board  
**Huali University Group Limited**  
**Zhang Zhifeng**  
*Chairman*

Hong Kong, March 29, 2022

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (i) The resolution proposed at the EGM will be voted by poll (except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on both the websites of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.hualiuniversity.com](http://www.hualiuniversity.com) in accordance with the Listing Rules.
- (ii) A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.
- (iii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
- (iv) A form of proxy for use of the EGM is enclosed with the circular of the Company. In order to be valid, a form of proxy must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarised certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish.
- (v) The transfer books and register of members will be closed from Wednesday, 13 April 2022 to Wednesday, 20 April 2022, both days inclusive to determine the entitlement of the shareholders to attend the EGM, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investors Service Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 12 April 2022.
- (vi) All times and dates specified herein refer to Hong Kong local times and dates.