
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 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)

(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Vinco Capital Limited

Unless the context otherwise requires, capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular and a letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

A notice convening the EGM 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 Tuesday, 15 September 2020 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish. In the event you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.

Precautionary measures and special arrangements for the EGM

In view of the novel coronavirus ("COVID-19") outbreak, certain measures will be implemented at the EGM to reduce the risk of infection to attendees of the EGM, including but not limited to (i) compulsory body temperature check; (ii) wearing of surgical mask throughout the EGM; and (iii) no refreshments or drinks being provided. Attendees who do not comply with the precautionary measures above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

The Company will keep monitoring the COVID-19 situation and may implement additional measures which, if any, will be announced at a time closer to the date of the EGM.

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DEFINITIONS

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

“Annual Caps”	the annual caps for the transactions contemplated under the Construction Services Framework Agreement, being RMB757.3 million, RMB414.4 million and RMB163.4 million for the period from the Effective Date to 31 August 2021 and the years ending 31 August 2022 and 2023, respectively
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Services Framework Agreement”	the framework agreement dated 17 July 2020 and entered into between the Company and Huali Construction, pursuant to which Huali Construction and/or its subsidiaries have agreed to provide construction services for the Group’s school campuses in the PRC (including the existing campuses and the proposed new campuses) for the period commencing on the Effective Date until 31 August 2023 (both dates inclusive)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which approval of the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps is obtained
“EGM”	an extraordinary general meeting to be convened at 6/F, The Administration Building of Guangzhou Huali Science and Technology Town, No. 11 Huali Road, Zengcheng District, Guangzhou, Guangdong Province, PRC on Tuesday, 15 September 2020 at 10:30 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Gaobiao Construction”	Gaobiao Construction Co., Ltd.* (高標建築有限公司) (formerly known as Guangzhou Gaobiao Construction Engineering Co., Ltd.* (廣州高標建築工程有限公司)), a limited liability company established in the PRC on 5 January 2009 and wholly owned by Huali Construction
“GFA”	gross floor area

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HL-Diamond Trust”	a discretionary family trust established by Mr. Zhang as settlor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huali Construction”	Guangzhou Huali Construction Co., Ltd.* (廣東華立建築有限公司), a limited liability company established in the PRC and 99.97% and 0.03% directly owned by Mr. Zhang and Mr. Zhang Zhifan, the brother of Mr. Zhang, respectively, and a connected person of the Company
“Huali College”	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
“Huali Education”	Huali Education Holdings Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by HL-Diamond Limited, which is in turn controlled by UBS Trustees (B.V.I.) Limited as trustee of HL-Diamond Trust, and one of the controlling shareholders 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
“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
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Financial Adviser” or “Vinc Capital”	Vinc 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, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Shareholders”	Shareholders who are not interested in the Construction Services Framework Agreement and are not required under the Listing Rules to abstain from voting on the resolutions to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps at the EGM

DEFINITIONS

“Latest Practicable Date”	26 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Date”	the date on which the Shares are listed on the Main Board of the Stock Exchange, being 25 November 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10
“Mr. Zhang”	Mr. Zhang Zhifeng, the chairman of the Board, an executive Director and one of the controlling shareholders of the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Prospectus”	the prospectus of the Company dated 14 November 2019
“RMB”	Renminbi, the lawful currency of the PRC
“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)”	holder(s) of the Share(s)
“sq.m.”	square meter(s)
“South China”	Guangdong Province, Guangxi Province and Hainan Province of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translation, the Chinese names shall prevail. The English translation of names in Chinese which is marked with “” in this circular is for identification purposes only.*

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. Dong Xiaolin

Non-executive Director

Mr. Zhang Yude

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, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

28 August 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ENTERING INTO OF
THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 17 July 2020 in relation to the entering into of the Construction Services Framework Agreement. The purpose of this circular is to provide you with, among other things, (i) further details on the terms of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) the notice of EGM.

LETTER FROM THE BOARD

2. THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

On 17 July 2020 (after trading hours), the Company and Huali Construction entered into the Construction Services Framework Agreement, pursuant to which Huali Construction and/or its subsidiaries have agreed to provide construction services for the Group's school campuses in the PRC (including the existing campuses and the proposed new campuses) for the period commencing on the Effective Date until 31 August 2023 (both dates inclusive).

The principal terms of the Construction Services Framework Agreement are set out below:

Date:	17 July 2020
Parties:	The Company; and Huali Construction
Subject matter:	Huali Construction and/or its subsidiaries have agreed to, during the term of the Construction Services Framework Agreement, provide construction services for the Group's school campuses (including the existing campuses and the proposed new campuses) in the PRC. The Group and Huali Construction will enter into a separate contract for each construction project.
Effective Date:	The date on which approval of the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps is obtained, which is expected to be on 15 September 2020
Term:	From the Effective Date to 31 August 2023 (both dates inclusive)
Pricing policy:	The construction fees and the terms of each individual contract must be fair and reasonable for both the Group and Huali Construction, and should be determined based on general commercial terms in the ordinary and usual course of business. The Group will make reference to the market prices and the charging basis for the same or similar services provided by independent third parties based on general commercial terms in the ordinary and usual course of business, and consider the same or comparable transactions completed by independent third parties in the same or the most recent period when determining the construction fees and the terms of each individual contract. ⁽¹⁾

LETTER FROM THE BOARD

If the construction project relates to civil engineering works and installation works (including fire safety works, water supply and drainage works, indoor electrical works, low current embedding works and lightning protection works), pricing will be based on the guidance of the Code of Bill of Quantities and Valuation for Construction Works* (《建設工程工程量清單計價規範》)⁽²⁾ (national standard) (including updates on such guidance materials issued by the regulatory authorities from time to time). In addition, (i) for civil engineering works, the pricing will be based on the Guangdong Comprehensive Quota of Housing Construction and Decoration Projects* (《廣東省房屋建築與裝飾工程綜合定額》)⁽³⁾ (provincial standard); and (ii) for installation works, the pricing will be based on the Guangdong Comprehensive Quota of General Installation Projects* (《廣東省通用安裝工程綜合定額》)⁽³⁾ (provincial level) (including updates on such guidance materials issued by the regulatory authorities from time to time). The prices of major materials to be used in the construction projects will be based on the construction project information prices announced by the Cost Management Department of the Housing and Urban-Rural Development Bureau* (住房及城鄉建設局造價管理部門) of the project location during the construction period.

Condition precedent:

The effectiveness of the Construction Services Framework Agreement is conditional upon the Company having obtained the Independent Shareholders' approval in respect of the Construction Services Framework Agreement and the transactions contemplated thereunder.

Notes:

- (1) *The Company's infrastructure department will be responsible for obtaining the information for the same or similar services provided by independent third parties. In general, the Company will consider past transactions completed by independent third parties in the same or the most recent period when determining the construction fees and the terms of each individual contract. Where no comparable transactions are available, which is very unlikely as the construction projects to be undertaken by Huali Construction and/or its subsidiaries are not uncommon, the parties will negotiate the terms based on the price charged by Huali Construction and/or its subsidiaries for the similar transactions with independent third parties in the past. In addition, before entering into separate contracts with Huali Construction and/or its subsidiaries, the Company will obtain at least three quotations from independent third parties. Please refer to internal control measures set out in the paragraph headed "Internal Control" in this section for further details.*
- (2) *Issued by the Ministry of Housing and Urban-Rural Development Department of the PRC* (中華人民共和國住房和城鄉建設部)*
- (3) *Issued by the Housing and Urban-Rural Development Department of Guangdong Province* (廣東省住房和城鄉建設廳)*

LETTER FROM THE BOARD

3. ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

Annual Caps

Set out below are the Annual Caps for the transactions contemplated under the Construction Services Framework Agreement:

	From the Effective Date to 31 August 2021 RMB' million	From 1 September 2021 to 31 August 2022 RMB' million	From 1 September 2022 to 31 August 2023 RMB' million
Annual Caps	757.3	414.4	163.4

Basis of the Annual Caps

The Annual Caps were determined after arm's length negotiations between the Company and Huali Construction, with reference to:

- (i) the historical transaction amounts in respect of the Group's previous construction projects;
- (ii) the Group's construction plans and the expected timetable for its construction projects in the next few years, taking into account the Group's plans to expand the scale of its school operations and increase student enrollment in its schools, the details of which are set out in the section headed "Business — Planned Expansion" in the Prospectus, as well as the plan of establishing new school campuses for Huali College in Jiangmen City, Guangdong Province, the PRC as contemplated under the memorandum of understanding entered into between Huali College and Xinhui District People's Government of Jiangmen Municipality;
- (iii) the Group's business development plans, including the expansion of business operations through increasing student enrollment as well as the conversion of Huali College from an independent college to a stand-alone private university, the details of the latter are set out in the section headed "Business — The Amendments of the Law for Promoting Private Education of the PRC and the MOJ Draft for Comments — The MOJ Draft for Comments — Implications for Huali College" in the Prospectus; and
- (iv) the Group's estimated expenditure for the construction of new school campuses in the next few years, taking into account the historical construction price for the services provided by Gaobiao Construction, the prevailing market prices of comparable construction services in Guangdong Province, the experience, terms of service and expected service quality of the contractors, as well as the amount of construction fees set out in the Code of Bill of Quantities and Valuation for Construction Works* (《建設工程工程量清單計價規範》), the Guangdong Comprehensive Quota of Housing Construction and Decoration Projects* (《廣東省房屋建築與裝飾工程綜合定額》) and the Guangdong Comprehensive Quota of General Installation Projects* (《廣東省通用安裝工程綜合定額》).

LETTER FROM THE BOARD

In order to expand the scale of its school operations and to convert Huali College from an independent college to a stand-alone private university, the Group intends to engage Huali Construction and/or its subsidiaries to construct new buildings of an aggregate GFA of approximately 360,820 square meters in its school campuses. Set out below are details of the Group's construction plans:

School campus	Details of construction works	Total GFA (sq.m.)	Total contract sum (RMB' million)	Estimated amount of construction fees for		
				the period from the Effective Date to 31 August 2021 (RMB' million)	the year ending 31 August 2022 (RMB' million)	the year ending 31 August 2023 (RMB' million)
New campus of Huali College in Jiangmen City, Guangdong Province, the PRC ⁽¹⁾	Construction of a number of teaching buildings, a laboratory building, a library, a cultural centre, an arts centre, a sports centre, a canteen and a number of dormitories	305,056	1,128.7	683.8	414.4	30.6
Zengcheng campus of Huali College	Construction of a laboratory building and a number of dormitories	55,764	206.3	73.5 ⁽²⁾	— ⁽²⁾	132.8 ⁽²⁾
	Total:	360,820	1,335.0	757.3	414.4	163.4

Notes:

- (1) The commencement of the construction projects is subject to, among other things, the obtaining of land use rights of the land parcel located in Jiangmen City, Guangdong province, the PRC. On 19 August 2020, Huali College won the bid for the land use rights of a parcel of land with a total site area of 233,333 sq.m.. For further details, please refer to the announcement of the Company on 19 August 2020.
- (2) The Group intends to engage Huali Construction and/or its subsidiaries to construct (i) a laboratory building for the year ending 31 August 2021; and (ii) a number of dormitories for the year ending 31 August 2023. No construction project has been scheduled for the year ending 31 August 2022.

In addition, in order to allow certain flexibility for any variation orders in respect of the construction works to be undertaken under the Construction Services Framework Agreement, the Annual Caps have included a buffer of approximately 2.3% for each of the period from the Effective Date to 31 August 2021 and the years ending 31 August 2022 and 2023.

LETTER FROM THE BOARD

The decreasing trend of the Annual Caps for the period from the Effective Date to 31 August 2021 and the years ending 31 August 2022 and 2023 is primarily due to the reduction in the GFA of the new buildings to be constructed, as the majority of the construction works is expected to be completed by 31 August 2021.

Relationship with Huali Construction

As at the Latest Practicable Date, the construction costs payable to Huali Construction for the transactions contemplated under the Construction Services Framework Agreement were estimated to account for approximately 62.7%, 87.4% and 40.5% of the total estimated construction costs of the Company for the three years ending 31 August 2023, respectively. By virtue of the estimated amount to be paid to Huali Construction, Huali Construction will be a major construction service provider of the Company for the three years ending 31 August 2023. Nevertheless, the Directors consider that there is no undue reliance of the Group on Huali Construction for the following reasons:

- (a) Huali Construction is merely a construction service provider to the Group. Although the construction costs payable to Huali Construction are estimated to account for a considerable portion of the total estimated construction costs to be incurred by the Company for the three years ending 31 August 2023, Huali Construction is only one of the many suppliers who provide services to the Group to support its operations and development. The Group engaged more than 30 suppliers (including four construction services providers) for the year ended 31 August 2019;
- (b) construction projects often involve substantial capital investment. Based on the size of the campuses to be constructed by the Group in the next few years and the Group's scale of operations, it is likely that construction service providers (i.e. Huali Construction and/or its subsidiaries) will become major suppliers of the Group in respect of the transactions contemplated under the Construction Services Framework Agreement;
- (c) the construction services provided by Huali Construction to the Group are not irreplaceable if such services were to be ceased or replaced due to any unlikely event which is out of the control of the Company and/or Huali Construction. Although the Directors are of the view that the engagement of Huali Construction as the service provider under the Construction Services Framework Agreement is in the best interest of the Company and the Shareholders as a whole, particularly having considered the factors stated under the paragraph headed "Reasons for and Benefits of Entering into the Construction Services Framework Agreement" in this section, the Company will be able to source suppliers that offer similar or comparable construction services as Huali Construction since the Company is a leading and reputable large-scale private higher education and vocational education group in South China with sound financial performance. In the unlikely circumstances that Huali Construction's services were to be ceased and replaced, the Company would be able to engage new construction services providers albeit the Company's management might have to pay extra attention and incur additional efforts in monitoring the construction process of the relevant campuses as the Company might not be as familiar with the new construction services providers as Huali Construction. In this connection, the Directors consider that Huali Construction's services are not irreplaceable and will not result in an undue reliance of the Group over Huali Construction; and

LETTER FROM THE BOARD

- (d) to the best of the knowledge, information and belief of the Directors, the transactions contemplated under the Construction Services Framework Agreement are mutually beneficial to the Group and Huali Construction since the revenue to be generated under the Construction Services Framework Agreement will be significant to Huali Construction. As a result, the operations and financial performance of Huali Construction hinge on the Construction Services Framework Agreement.

Historical Transaction Amounts

The following table sets out, for the year ended 31 August 2019 and the six months ended 29 February 2020, the amount paid/payable to Gaobiao Construction⁽¹⁾ in respect of its provision of construction services to the Group:

	<i>RMB'000</i>
For the period from 1 September 2018 to 31 August 2019	306,663
For the period from 1 September 2019 to 29 February 2020	85,928

Note:

- (1) *The historical transactions were undertaken by Gaobiao Construction. For further details of the historical transactions, please refer to the section headed “Connected Transaction — One-Off Connected Transactions with Guangzhou Gaobiao Construction Engineering Co., Ltd.” in the Prospectus. Huali Construction acquired the entire equity interest of Gaobiao Construction in December 2019.*

There was no historical transaction amount for the years ended 31 August 2017 and 2018. In addition, the Company had not entered into any transactions with Huali Construction and/or its subsidiaries during the period from the Listing Date to the date of the Construction Services Framework Agreement. In May 2020, Huali College entered into a non-legally binding memorandum of understanding with the Xinhui District People’s Government of Jiangmen Municipality* (江門市新會區人民政府) (the “MOU”). Pursuant to the MOU, the Group may, upon the signing of the formal sale and purchase agreement and the fulfillment of certain conditions, be granted the land use right of a land parcel located in Jiangmen City, Guangdong Province and develop and construct a new campus on the newly-obtained land parcel. The Company only contemplated the possibility of engaging Huali Construction and/or its subsidiaries after the signing of the MOU and when the opportunity to construct a new campus on the new land parcel arose. The Company does not expect to enter into any transactions with Huali Construction and/or its subsidiaries prior to the Effective Date.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

Huali Construction is principally engaged in the provision of construction services, and has the necessary qualifications, capabilities and experience to provide construction services for the Group's school campuses in the PRC. As part of its business plan, the Group intends to (i) expand its business operation through increasing student enrollment and (ii) converting Huali College from an independent college to a stand-alone private university. Such development requires the Group to expand the capacity of its existing campuses. As a result, the Group has to procure construction services to support the expansion of its scale of operations. The Construction Services Framework Agreement will enable the Group to engage the services of a sizeable construction service provider and benefit from its experience and expertise in construction works. In addition, Gaobiao Construction, a subsidiary of Huali Construction has previously undertaken two of the Group's construction projects and was able to deliver timely and quality construction services. Because of such previous dealings, Huali Construction is familiar with the Group's requirements and standards for construction services. The Directors therefore consider that engaging Huali Construction to provide construction services will be beneficial to the Group as a whole.

Furthermore, since 2013, Huali Construction and/or its subsidiaries have provided the students of Huali College, Huali Technician College and Huali Vocational College with internship and job opportunities (the "**Internship Programme**"). Under the Internship Programme, students who are eligible to participate in internship may apply for internship positions in the group companies of Huali Construction, and Huali Construction will select a few students as its intern. Upon completion of the internship period, Huali Construction may retain certain interns who meet its expectation and requirements as formal employees. As (i) the employment contracts in relation to the Internship Programme were concluded between Huali Construction and the relevant students; and (ii) the Group did not enter into any written agreement with Huali Construction regarding the Internship Programme and did not pay any amount to Huali Construction in relation to the Internship Programme, the Internship Programme does not constitute a transaction under Chapter 14 of the Listing Rules or a connected transaction under Chapter 14A of the Listing Rules. The Directors confirm that, the Internship Programme and the Construction Services Framework Agreement are not inter-conditional. The Directors believe that the entering into of the Construction Services Framework Agreement will strengthen the cooperation between the Group and Huali Construction.

The Directors are of the view that the entering into of the Construction Services Framework Agreement has no disadvantages to the Company.

Mr. Zhang, who held 99.97% equity interest in Huali Construction as at the Latest Practicable Date, and Mr. Zhang Yude, a non-executive Director and the son of Mr. Zhang, have abstained from voting on the board resolutions to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps. The Directors (other than Mr. Zhang and Mr. Zhang Yude who have abstained from voting on the relevant board resolutions) are of the view that the terms of the Construction Services Framework Agreement were arrived at after arm's length negotiation, were fair and reasonable and on normal commercial terms, and were in the interest of the Group and the Shareholders as a whole. Save as disclosed hereinabove, none of the Directors has a material interest in the Construction Services Framework Agreement and was required to abstain from voting on the board resolutions in relation to the Construction Services Framework Agreement.

LETTER FROM THE BOARD

5. INTERNAL CONTROL

The Group has adopted the following internal control procedures to govern the transactions contemplated under the Construction Services Framework Agreement and the Annual Caps:

- (i) the Company's finance department will monitor and record the actual transaction amounts of the transactions contemplated under the Construction Services Framework Agreement to ensure that the Annual Caps will not be exceeded on a monthly basis;
- (ii) the Company has adopted a reporting system, whereby the Company's finance department is required to, upon receipt of the written contract with Huali Construction and/or its subsidiaries, record the key information of the transaction, including the contract parties, the contract term and the transaction amounts. In addition, if (i) the aggregate transaction amounts under the Construction Services Framework Agreement exceeds 70% of the relevant Annual Cap, the finance department will be required to report the aggregate transaction amounts to the Company's senior management on a bi-weekly basis; and (ii) the aggregate transaction amounts under the Construction Services Framework Agreement exceeds 90% of the relevant Annual Cap, approval from the Company's senior management shall be obtained before entering into any additional contracts with Huali Construction and/or its subsidiaries;
- (iii) in order to ensure that the fees charged by Huali Construction are fair and reasonable and no less favourable to the Group than those offered by independent third parties, the Company's infrastructure department will, prior to entering into separate contracts with Huali Construction, obtain at least three quotations from independent third parties and compare the terms offered by Huali Construction and independent third parties using the same objective criteria, which include pricing, technical specifications, quality of constructions materials and expected completion time;
- (iv) the Company's auditor will review the transactions contemplated under the Construction Services Framework Agreement on an annual basis and confirm whether (a) such transactions have been approved by the Board; (b) such transactions were entered into in accordance with the terms of the Construction Services Framework Agreement; and (c) the Annual Caps have been exceeded; and
- (v) the independent non-executive Directors will review the transactions contemplated under the Construction Services Framework Agreement on an annual basis to confirm whether such transactions are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the terms of the Construction Services Framework Agreement that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board believes that the above internal control procedures are appropriate and can ensure that the transactions will be carried out in accordance with the terms of the Construction Services Framework Agreement and that the fees to be charged by Huali Construction will not be less favourable than those charged by independent third parties for similar transactions.

LETTER FROM THE BOARD

6. INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is a large-scale private higher education and vocational education group in South China, offering applied science-focused and practice-oriented programs.

Huali Construction

Huali Construction is a limited liability company established in the PRC and is principally engaged in the provision of construction services.

7. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Huali Construction was 99.97% and 0.03% directly owned by Mr. Zhang and Mr. Zhang Zhifan, the brother of Mr. Zhang, respectively. Huali Construction is therefore a connected person of the Company and the transactions contemplated under the Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since Huali Construction was 99.97% directly owned by Mr. Zhang as at the Latest Practicable Date, Mr. Zhang and Mr. Zhang Yude, a non-executive Director and the son of Mr. Zhang, have abstained from voting on the board resolutions to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps. As Mr. Zhang has a material interest in the Construction Services Framework Agreement, Mr. Zhang and his associates (including Huali Education, 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 resolutions in relation to the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps to be proposed at the EGM.

Since one or more of the applicable percentage ratios in respect of the Annual Caps exceed 5% on an annual basis and each of the Annual Caps is more than HK\$10,000,000, the transactions contemplated under the Construction Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the Construction Services Framework Agreement and the Annual Caps are fair and reasonable; (ii) whether the Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) whether the transactions contemplated under the Construction Services Framework Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

Vinco Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

LETTER FROM THE BOARD

9. THE EGM

The EGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save and except for Mr. Zhang and his associates (including Huali Education, 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), no other Shareholder has a material interest in the transactions contemplated under the Construction Services Framework Agreement such that he/she/it will have to abstain from voting on the resolutions in relation to the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps to be proposed at the EGM.

A notice convening the EGM 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 Tuesday, 15 September 2020 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish. In the event you attend the EGM after having lodged the form of proxy, the relevant form(s) of proxy will be deemed to have been revoked.

The register of members of the Company will be closed from Thursday, 10 September 2020 to Tuesday, 15 September 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the EGM or any adjournment thereof, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 9 September 2020.

10. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll. The chairman of the EGM will therefore demand a poll for the resolutions to be passed at the EGM pursuant to the articles of association of the Company. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

11. RECOMMENDATION

The Independent Board Committee, having considered the advice from the Independent Financial Adviser, considers that (i) the Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) the terms of the Construction Services Framework Agreement are fair and reasonable, and it is in the interest of the Company and the Shareholders as a whole to enter into the proposed transactions with Huali Construction; and (iii) the Annual Caps for the three years ending 31 August 2023 for the Construction Services Framework Agreement are fair and reasonable 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 resolutions in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps to be proposed at the EGM.

The Directors (excluding the Directors who had abstained from voting on the relevant board resolutions) consider that (i) the Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) the terms of the Construction Services Framework Agreement are fair and reasonable, and it is in the interest of the Company and the Shareholders as a whole to enter into the proposed transactions with Huali Construction; and (iii) the Annual Caps for the three years ending 31 August 2023 for the Construction Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

12. GENERAL

The effectiveness of the Construction Services Framework Agreement is conditional upon the Company having obtained the Independent Shareholders' approval for the transactions contemplated thereunder. As such, the Construction Services Framework Agreement may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares of the Company.

13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in (i) the section headed "Letter from the Independent Board Committee" in this circular; (ii) the section headed "Letter from Vinco Capital" in this circular; and (iii) the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

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)

28 August 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

We refer to the circular of Huali University Group Limited (the “**Company**”) dated 17 July 2020 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter 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 Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps, details of which are set out in the section headed “Letter from the Board” in the Circular. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

Having considered the information set out in the section headed “Letter from the Board” in the Circular as well as the analysis and recommendation set out in the section headed “Letter from Vinco Capital” in the Circular, we concur with the opinion of the Independent Financial Adviser that (i) the Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) the terms of the Construction Services Framework Agreement are fair and reasonable, and it is in the interest of the Company and the Shareholders as a whole to enter into the proposed transactions with Huali Construction; and (iii) the Annual Caps for the three years ending 31 August 2023 for the Construction Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

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

LETTER FROM VINCO CAPITAL

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps for inclusion in this circular.

VINCO  城高
Vinco Capital Limited
Unit 2610, 26/F., The Center
99 Queen's Road Central, Hong Kong

28 August 2020

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

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 Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps, details of which are set out in the "Letter from the Board" in the circular (the "**Circular**") issued by the Company to the Shareholders dated 28 August 2020 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 announcement issued by the Company dated 17 July 2020, in relation to the Construction Services Framework Agreement entered into between the Company and Huali Construction, the term of which commences on the Effective Date until 31 August 2023 (both days inclusive).

On 17 July 2020 (after trading hours), the Company and Huali Construction entered into the Construction Services Framework Agreement, pursuant to which Huali Construction and/or its subsidiaries have agreed to provide construction services for the Group's school campuses in the PRC (including the existing campuses and the proposed new campuses) for the period commencing on the Effective Date until 31 August 2023 (both dates inclusive).

As at the Latest Practicable Date, Huali Construction was 99.97% and 0.03% directly owned by Mr. Zhang and Mr. Zhang Zhifan, the brother of Mr. Zhang, respectively. Huali Construction is therefore a connected person of the Company and the transactions contemplated under the Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM VINCO CAPITAL

Since Huali Construction was 99.97% directly owned by Mr. Zhang as at the Latest Practicable Date, Mr. Zhang and Mr. Zhang Yude, a non-executive Director and the son of Mr. Zhang, have abstained from voting on the board resolutions to approve the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps. As Mr. Zhang has a material interest in the Construction Services Framework Agreement, Mr. Zhang and his associates (including Huali Education, 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 resolutions in relation to the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps to be proposed at the EGM.

Since one or more of the applicable percentage ratios in respect of the Annual Caps exceed 5% on an annual basis and each of the Annual Caps is more than HK\$10,000,000, the transactions contemplated under the Construction Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Board currently comprises Mr. Zhang Zhifeng, Mr. Ye Yaming and Mr. Dong Xiaolin as the executive Directors; Mr. Zhang Yude as the non-executive Director; 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 on (i) whether the terms of the Construction Services Framework Agreement and the Annual Caps are fair and reasonable; (ii) whether the Construction Services Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (iii) whether the transactions contemplated under the Construction Services Framework Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the voting action that should be taken by the Independent Shareholders.

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 transactions contemplated under the Construction Services Framework Agreement and the Annual Caps for the three years ending 31 August 2023 are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are on normal commercial terms or better and in the ordinary and usual course of business of the Company 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 Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps. 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.

LETTER FROM VINCO CAPITAL

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.

We have not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

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 Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps, 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.

LETTER FROM VINCO CAPITAL

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 interim report of the Company for the six months ended 29 February 2020; (iii) the announcement of the Company dated 17 July 2020 in relation to the Construction Services Framework Agreement; (iv) the historical transactions between the Group and Huali Construction and/or its subsidiaries and their samples of transaction documents; (v) the basis and assumptions of the transactions contemplated under the Construction Services Framework Agreement; (vi) the pricing policy of the Construction Services Framework Agreement; (vii) the meeting minutes of the board of directors of the Company dated 17 July 2020; (viii) the general rules of management system in relation to connected transaction dated 26 November 2019; (ix) the Code of Bill Quantities and Valuation for Construction Works* (《建設工程工程量清單計價規範》); (x) the Guangdong Comprehensive Quota of Housing Construction and Decoration Projects* (《廣東省房屋建築與裝飾工程綜合定額》); (xi) the Guangdong Comprehensive Quota of General Installation Projects* (《廣東省通用安裝工程綜合定額》); (xii) a valid certificate in relation to the land use rights in Zengcheng issued by the Guangzhou Land Resources and Planning Commission* (廣州市國土資源和規劃委員); (xiii) an investment agreement* (投資協議書) dated 25 May 2020 and signed by both Huali College and the Xinhui District People's Government of Jiangmen Municipality* (江門市新會區人民政府); and (xiv) the internal control guideline of the Company dated 2 December 2019 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 for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps 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 Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps and, 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 Company

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange. The Group is a large-scale private higher education and vocational education group in South China, offering applied science-focused and practice-oriented programs.

1.2 Information of Huali Construction

Huali Construction is a limited liability company established in the PRC and is principally engaged in the provision of construction services.

LETTER FROM VINCO CAPITAL

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps, we have taken into account the principal factors and reasons set out below:

2. Reasons for and benefits of entering into of the Construction Services Framework Agreement

As disclosed in the “Letter from the Board” in the Circular, Huali Construction is principally engaged in the provision of construction services, and has the necessary qualifications, capabilities and experience to provide construction services for the Group’s school campuses in the PRC. As part of its business plan, the Group intends to (i) expand its business operation through increasing student enrollment and (ii) converting Huali College from an independent college to a stand-alone private university. Such development requires the Group to expand the capacity of its existing campuses. As a result, the Group has to procure construction services to support the expansion of its scale of operations. The Construction Services Framework Agreement will enable the Group to engage the services of a sizeable construction service provider and benefit from its experience and expertise in construction works. In addition, Gaobiao Construction, a subsidiary of Huali Construction has previously undertaken two of the Group’s construction projects and was able to deliver timely and quality construction services. Because of such previous dealings, Huali Construction is familiar with the Group’s requirements and standards for construction services. We have reviewed the contracts signed between the Company and Gaobiao Construction and concurred with the view of the Directors that engaging Huali Construction to provide construction services will be beneficial to the Group as a whole.

Furthermore, since 2013, Huali Construction and/or its subsidiaries have provided the students of Huali College, Huali Technician College and Huali Vocational College with internship and job opportunities (the “**Internship Programme**”). Under the Internship Programme, students who are eligible to participate in internship may apply for internship positions in the group companies of Huali Construction, and Huali Construction will select a few students as its intern. Upon completion of the internship period, Huali Construction may retain certain interns who meet its expectation and requirements as formal employees. As (i) the employment contracts in relation to the Internship Programme were concluded between Huali Construction and the relevant students; and (ii) the Group did not enter into any written agreement with Huali Construction regarding the Internship Programme and did not pay any amount to Huali Construction in relation to the Internship Programme, the Internship Programme does not constitute a transaction under Chapter 14 of the Listing Rules or a connected transaction under Chapter 14A of the Listing Rules. The Directors confirm that, the Internship Programme and the Construction Services Framework Agreement are not inter-conditional. We understand from the management of the Company that the entering into of the Construction Services Framework Agreement will strengthen the business relationship between the Group and Huali Construction.

The Directors are of the view that the entering into of the Construction Services Framework Agreement has no disadvantages to the Company.

Having considered the above, and particularly, the entering into the Construction Services Framework Agreement will (i) maintain the Group’s long term relationship with Huali Construction and (ii) enable the stability in the construction service to be provided to the Group due to the familiarity of meeting the requirements and expectation of the Group, we are of the view that the entering into of the Construction Services Framework Agreement, together with the adoption of the Annual Caps, are 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.

LETTER FROM VINCO CAPITAL

3. The Construction Framework Agreement

3.1 *The principal terms*

As extracted from the “Letter from the Board” in the Circular, the principal terms of the Construction Services Framework Agreement are set out below:

Date:	17 July 2020
Parties:	The Company; and Huali Construction
Subject matter:	Huali Construction and/or its subsidiaries have agreed to, during the term of the Construction Services Framework Agreement, provide construction services for the Group’s school campuses (including the existing campuses and the proposed new campuses) in the PRC. The Group and Huali Construction will enter into a separate contract for each construction project.
Effective Date:	The date on which approval of the Independent Shareholders in respect of the Construction Services Framework Agreement, the transactions contemplated thereunder and the Annual Caps is obtained, which is expected to be on 15 September 2020.
Term:	From the Effective Date to 31 August 2023 (both dates inclusive)
Pricing Policy:	The construction fees and the terms of each individual contract must be fair and reasonable for both the Group and Huali Construction, and should be determined based on general commercial terms in the ordinary and usual course of business. The Group will make reference to the market prices and the charging basis for the same or similar services provided by independent third parties based on general commercial terms in the ordinary and usual course of business, and consider the same or comparable transactions completed by independent third parties in the same or the most recent period when determining the construction fees and the terms of each individual contract. ⁽¹⁾

LETTER FROM VINCO CAPITAL

If the construction project relates to civil engineering works and installation works (including fire safety works, water supply and drainage works, indoor electrical works, low current embedding works and lightening protection works), pricing will be based on the guidance of the Code of Bill Quantities and Valuation for Construction Works* (《建設工程工程量清單計價規範》)⁽²⁾ (national standard)(including updates on such guidance materials issued by the regulatory authorities from time to time). In addition, (i) for civil engineering works, the pricing will be based on the Guangdong Comprehensive Quota of Housing Construction and Decoration Projects* (《廣東省房屋建築與裝飾工程綜合定額》)⁽³⁾ (provincial standard); and (ii) for installation works, the pricing will be based on the Guangdong Comprehensive Quota of General Installation Projects* (《廣東省通用安裝工程綜合定額》)⁽³⁾ (provincial level) (including updates on such guidance materials issued by the regulatory authorities from time to time). The prices of major materials to be used in the construction projects will be based on the construction project information prices announced by the Cost Management Department of the Housing and Urban-Rural Development Bureau* (住房及城鄉建設局造價管理部門) of the project location during the construction period.

Condition precedent: The effectiveness of the Construction Services Framework Agreement is conditional upon the Company having obtained the Independent Shareholders' approval in respect of the Construction Services Framework Agreement and the transactions contemplated thereunder.

Notes:

- (1) *The Company's infrastructure department will be responsible for obtaining the information for the same or similar services provided by independent third parties. In general, the Company will consider past transactions completed by independent third parties in the same or the most recent period when determining the construction fees and the terms of each individual contract. Where no comparable transactions are available, which is very unlikely as the construction projects to be undertaken by Huali Construction and/or its subsidiaries are not uncommon, the parties will negotiate the terms based on the price charged by Huali Construction and/or its subsidiaries for the similar transactions with independent third parties in the past. In addition, before entering into separate contracts with Huali Construction and/or its subsidiaries, the Company will obtain at least three quotations from independent third parties. Please refer to internal control measures set out in the paragraph headed "Internal Control" in the "Letter from the Board" in this circular for further details.*
- (2) *Issued by the Ministry of Housing and Urban-Rural Development Department of the PRC* (中華人民共和國住房和城鄉建設部)*
- (3) *Issued by the Housing and Urban-Rural Development Department of Guangdong Province* (廣東省住房和城鄉建設廳)*

3.2 Our analysis regarding the Construction Services Framework Agreement

We have reviewed the Construction Services Framework Agreement which mentions that the terms of services to be rendered by Huali Construction and/or its subsidiaries to the Group as contemplated under the Construction Services Framework Agreement are no less favourable to the Group than those available from independent third parties. We have obtained and reviewed at least three samples of contracts and their relevant documents relating to the provision of construction services by Huali Construction and/or its subsidiaries to the Group for the period from 1 September 2018 to 29 February 2020. The pricing policy of the historical transactions with Huali Construction and/or its subsidiaries is in line with the corporate governance practices of other listed companies and the pricing policy set out in the Construction Services Framework Agreement, whereby the Company would make reference to the market prices and the charging basis for the same or similar services provided by independent third parties based on general commercial terms in the ordinary and usual course of business, and consider the same or comparable transactions completed by independent third parties in the same or the most recent period when determining the construction fees and the terms of each individual contract. Pursuant to the relevant documents in relation to the construction services requested in the past, the Group reviewed quotations of the same construction project issued by various service providers including at least two independent third parties and Huali Construction and/or its subsidiaries and made reference to the pricing information for the construction services from the quotations collected from the service providers. We found that the construction fees quoted by Huali Construction and/or its subsidiaries were more favourable to the Group than those quoted by the independent third parties. Since the Company would obtain at least three quotations from independent third parties and compare the terms offered by Huali Construction and/or its subsidiaries and independent third parties under the Construction Services Framework Agreement, we believe this could further safeguard the interests of the Company and the Shareholders as a whole. Given that no previous connected transactions in relation to the construction services were found with no comparable transactions, we consider this situation is very unlikely to be occurred as the construction projects to be engaged by the Group are not uncommon. Base on the above, we are of the view that the pricing terms of the Construction Services Framework Agreement are no less favourable to the Group.

We have also obtained three samples of construction service contracts entered into between the Group and independent third parties for other construction services to compare the principal terms of the construction service contracts entered into between the Group and Huali Construction and/or its subsidiaries. We found that the nature of construction services provided by Huali Construction and/or its subsidiaries under the contracts which we have obtained for sampling is similar to the construction services to be provided under the Construction Services Framework Agreement. We are therefore of the view that the comparison provides us with a reasonable basis to determine whether the principal terms are fair and reasonable. We have compared the terms of the historical construction service contracts entered into between the Group and Huali Construction and/or its subsidiaries, which were similar to those under the construction service contracts entered into between the Group and independent third parties. We are of the view that the terms of the service contracts under the Construction Services Framework Agreement will also be on normal commercial terms based on our aforementioned works.

LETTER FROM VINCO CAPITAL

Pursuant to the Code of Bill Quantity and Valuation for Construction Works* (《建設工程工程量清單計價規範》); dated 1 July 2013, the Guangdong Comprehensive Quota of Housing Construction and Decoration Projects* (《廣東省房屋建築與裝飾工程綜合定額》) issued in April 2013 and the Guangdong Comprehensive Quota of General Installation Projects* (《廣東省通用安裝工程綜合定額》) issued in 2018, we understand the items for both civil engineering work and installation work are charged based on the above government guidelines and the actual fee would be confirmed and billed when the construction services are carried out. We have also confirmed with the management of the Company that the prices of major materials will be based on the construction project information prices announced by the Cost Management Department of the Housing and Urban-Rural Development Bureau* (住房及城鄉建設局造價管理部門) of the project location during the construction period. We have obtained the documents issued by an independent licensed construction consulting company in relation to the construction services provided by Huali Construction and/or its subsidiaries to the Group which indicates that the price adopted in the construction projects are based on the above government guidelines.

After having conducted the aforementioned works, we are of the view that the terms of the Construction Services Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4. The Annual Caps

The following table sets out, for the year ended 31 August 2019 and the six months ended 29 February 2020, the amount paid/payable to Gaobiao Construction⁽¹⁾ in respect of its provision of construction services to the Group:

	For the period from 1 September 2018 to 31 August 2019 RMB'000	For the period from 1 September 2019 to 29 February 2020 RMB'000
Actual amount of the construction services provided by Gaobiao Construction to the Group	306,663	85,928

Note:

- (1) The historical transactions were undertaken by Gaobiao Construction. For further details of the historical transactions, please refer to the section headed “Connected Transaction — One-Off Connected Transactions with Guangzhou Gaobiao Construction Engineering Co. Ltd.” in the Prospectus. Huali Construction acquired the entire equity interest of Gaobiao Construction in December 2019.

There was no historical transaction amount for the years ended 31 August 2017 and 2018. In addition, the Company had not entered into any transactions with Huali Construction and/or its subsidiaries during the period from the Listing Date to the date of the Construction Services Framework Agreement. In May 2020, Huali College entered into a non-legally binding memorandum of understanding with the Xinhui District People’s Government of Jiangmen Municipality* (江門市新會區人民政府) (the “MOU”). Pursuant to the MOU, the Group may, upon the signing of the formal sale and purchase agreement and the fulfillment of certain conditions, be granted the land use rights of a land parcel located in Jiangmen City, Guangdong Province and develop and construct a new campus on the newly obtained land parcel. The Company only contemplated the possibility of engaging Huali Construction and/or its subsidiaries after the signing of the MOU and when the opportunity to construct a new campus on the new land parcel arose. The Company does not expect to enter into any transactions with Huali Construction and/or its subsidiaries prior to the Effective Date.

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The Annual Caps for the years ending 31 August 2021, 2022 and 2023 under the Construction Services Framework Agreement are set out below:

	From the Effective Date⁽¹⁾ to 31 August 2021 RMB' million	From 1 September 2021 to 31 August 2022 RMB' million	From 1 September 2022 to 31 August 2023 RMB' million
Annual Caps	757.3	414.4	163.4

Note:

(1) Please refer to the Effective Date stated on page 6 in this letter.

In our assessment of the reasonableness of the Annual Caps under the Construction Services Framework Agreement, we have reviewed the estimated total amount of construction services purchased by the Group from Huali Construction and/or its subsidiaries for the three years ending 31 August 2023 and the underlying basis and assumptions respectively. We have discussed with the Company regarding the below factors and concurred with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders to set the Annual Caps at the proposed levels, after taking the following into consideration:

- (i) the historical transaction amounts in respect of the Group's previous construction projects. Pursuant to the calculation of unit price (which is calculated by dividing the historical contract sum by the corresponding total GFA of the projects), we found that the Company considered the historical costs used in similar projects, including civil engineering and fine decoration works, were approximately 69% and 31% of the unit price per square meter;
- (ii) the Group's construction plans and the expected timetable of its construction projects in the next few years, taking into account the Group's plans to expand the scale of its school operations and increase student enrollment in its schools, the details of which are set out in the section headed "Business — Planned Expansion" in the Prospectus, as well as the plan of establishing new school campuses for Huali College in Jiangmen City, Guangdong Province, the PRC as contemplated under the memorandum of understanding entered into between Huali College and the Xinhui District People's Government of Jiangmen Municipality* (江門市新會區人民政府). We have reviewed (i) a valid certificate which indicates the land use rights in relation to the land in Zengcheng issued by the Guangzhou Land Resources and Planning Commission* (廣州市國土資源和規劃委員) for the period up to 2050 and (ii) an investment agreement* (投資協議書) dated 25 May 2020 and signed by both the Xinhui District People's Government of Jiangmen Municipality* (江門市新會區人民政府) and the Company (the "MOU"). Pursuant to the MOU, the Company may by way of bid invitation, auction or listing for sale obtain the land use rights of a land parcel located in Jiangmen city in four stages. Upon successful bidding, the Company shall conclude a sale and purchase agreement on land use rights with the Xinhui District People's Government of Jiangmen Municipality* (江門市新會區人民政府). Under the MOU, the first stage of the grant of the land use rights may occur by August 2020 and the last stage may occur by November 2021. In view of the above documents, we understand that the Company is eligible to develop on the land where the construction work will be undertaken, subject to the signing of the formal sale and purchase agreement. We have also reviewed the estimated GFA of each building to be constructed in the three years ending 31 August 2023, which will be built in the abovementioned area according to the drawing plan provided by the Company;

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- (iii) the Group’s business development plans, including the expansion of business operation through increasing student enrollment as well as the conversion of Huali College from an independent college to a stand-alone private university, the details of the latter are set out in the section headed “Business — The Amendments of the Law for Promoting Private Education of the PRC and the MOJ Draft for Comments — The MOJ Draft for Comments — Implications for Huali College” in the Prospectus. According to the Implementation Plan for Accelerating the Conversion of Independent Colleges* (《關於加快推進獨立學院轉設工作的實施方案》) issued by the Ministry of Education of the PRC on 15 May 2020, we note that the government encourages education institutions to consider developing an independent privately-owned university, which is in line with the needs of expanding the Group’s school campuses. Therefore, it is reasonable for the Company to procure construction services from the professionals, such as Huali Construction and/or its subsidiaries, in order to expand its school campuses; and
- (iv) the Group’s estimated expenditure for the construction of new school campuses in the next few years, taking into account the historical construction price for the services provided by Gaobiao Construction, the prevailing market prices of comparable construction services in Guangdong Province, the experience, terms of service and expected service quality of the contractors, as well as the amount of construction fees set out in the Code of Bill of Quantities and Valuation for Construction Works (《建設工程工程量清單計價規範》), the Guangdong Comprehensive Quota of Housing Construction and Decoration Projects* (《廣東省房屋建築與裝飾工程綜合定額》) and the Guangdong Comprehensive Quota of General Installation Projects* (《廣東省安裝工程綜合定額》). As mentioned in “3.2 Our analysis regarding the Construction Services Framework Agreement” in this letter, the price paid by the Company to Huali Construction and/or its subsidiaries in respect of the historical transactions followed the above government guidelines. Therefore, we are of the view that the historical unit price based on the requirements mentioned in the guidelines is considered as a reasonable basis to determine the Annual Caps.

In order to expand the scale of its school operations and to convert Huali College from an independent college to a stand-alone private university, the Group intends to engage Huali Construction and/or its subsidiaries to construct new buildings of an aggregate GFA of approximately 360,820 square meters in its school campuses. Set out below are details of the Group’s construction plans:

School campus	Details of construction works	Total GFA (sq.m.)	Total contract sum (RMB’ million)	Estimated amount of construction fees for		
				the period from the Effective Date to 31 August 2021 (RMB’ million)	the year ending 31 August 2022 (RMB’ million)	the year ending 31 August 2023 (RMB’ million)
New campus of Huali College in Jiangmen City, Guangdong Province, the PRC ⁽¹⁾	Construction of a number of teaching buildings, a laboratory building, a library, a cultural centre, an arts centre, a sports centre, a canteen and a number of dormitories	305,056	1,128.7	683.8	414.4	30.6
Zengcheng campus of Huali College	Construction of a laboratory building and a number of dormitories	55,764	206.3	73.5 ⁽²⁾	— ⁽²⁾	132.8 ⁽²⁾
	Total:	360,820	1,335.0	757.3	414.4	163.4

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Notes:

- (1) *The commencement of the construction projects is subject to, among other things, the obtaining of land use rights of the land parcel located in Jiangmen City, Guangdong province, the PRC. On 18 August 2020, Huali College won the bid for the land use rights of a parcel of land with a total site area of 233,333 sq.m.. For further details, please refer to the announcement of the Company on 19 August 2020.*
- (2) *The Group intends to engage Huali Construction and/or its subsidiaries to construct (i) a laboratory building for the year ending 31 August 2021; and (ii) a number of dormitories for the year ending 31 August 2023. No construction project has been scheduled for the year ending 31 August 2022.*

In addition, in order to allow certain flexibility for any variation orders in respect of the construction works to be undertaken under the Construction Services Framework Agreement, the Annual Caps have included a buffer of approximately 2.3% for each of the period from the Effective Date to 31 August 2021 and the years ending 31 August 2022 and 2023. We have been advised by the management of the Company that, the price adopted in the construction works is based on the government guidelines stated in the pricing policy. However, it is not uncommon that there would be uncertain changes during construction period including but not limited to the materials required, the government regulation and the future inflationary pressure pursuant to the average inflation rate in mainland from 2017 to 2019 which the Company takes into account the necessity to retain a certain level of buffer to minimise the need to adjust the Annual Caps in future. On such basis, we consider it is justifiable for the contracting parties to provide a reasonable buffer to accommodate any upward changes in the construction cost for the coming years.

According to the expected timetable of the construction projects obtained from the Company, we note that the decreasing trend of the Annual Caps for the period from the Effective Date to 31 August 2021 and the years ending 31 August 2022 and 2023 is primarily due to the reduction in the GFA of the new buildings to be constructed, as the majority of the construction works is expected to be completed by 31 August 2021.

As at the Latest Practicable Date, the construction costs payable to Huali Construction for the transactions contemplated under the Construction Services Framework Agreement were estimated to account for approximately 62.7%, 87.4% and 40.5% of the total estimated construction costs of the Company for the three years ending 31 August 2023 respectively, pursuant to the expected timetable of the construction projects. By virtue of the estimated amount to be paid to Huali Construction, Huali Construction will be a major construction service provider of the Company for the three years ending 31 August 2023. Given the established relationship with Huali Construction and the Group, we have confirmed with the management of the Company that the risk of Huali Construction terminating the construction services to the Company is low. Also, the Company maintains flexibility in supplier selection that it did engage alternative suppliers for the construction services in the past and it also plans to cooperate with independent supplier in the coming three years. Although Huali Construction will be the major construction service provider of the Company for the three years ending 31 August 2023, we concur with the view of the Director that the Construction Services Framework Agreement would have no undue reliance of the Group on Huali Construction after considering the following reasons: (i) the need of expanding the capacity of the school campuses would require the Group to build more teaching building and dormitories as the given construction plans obtained from the Company; (ii) the good reputation, experience and expertise of Huali Construction to build the school campuses; (iii) the usual practice of construction works to be involved with substantial capital investment; (iv) the access to alternative construction service providers; (v) the mutual beneficial relationship between the Group and Huali Construction; and (vi) the construction services regarding the historical transactions with Gaobiao Construction, a subsidiary of Huali Construction in terms of service quality and terms offered were fair, reasonable and in the interests of the Company and its Shareholders as a whole.

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We further understand from the Company that the Annual Caps are determined by multiplying the historical unit price explained in point (i) above by the GFA of each building to be constructed in the three years ending 31 August 2023 as elaborated in point (ii) above, with reference to the expected timetable of its construction projects in the next three years and the consideration of a certain buffer to allow flexibility to cater for any variation order in respect of the construction works. Having considered the above factors, we concur with the Directors that the Annual Caps are fair and reasonable.

INTERNAL CONTROL MEASURES GOVERNING THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

As confirmed by the Director, the Company will adopt the following internal control procedures to govern the continuing connected transactions of the Company under the Construction Services Framework Agreement:

- (i) the Company's finance department will monitor and record the actual transaction amounts of the transactions contemplated under the Construction Services Framework Agreement to ensure that the Annual Caps will not be exceeded on a monthly basis. In this regard, we believe this control procedures could ensure that the Annual Caps will not be exceeded and the continuing connected transactions will be conducted in accordance with section 2.4 under the Construction Services Framework Agreement since the progress and utilisation of the proposed Annual Caps will be regularly monitored by the Company's finance department;
- (ii) the Company has adopted a reporting system, whereby the Company's finance department is required to, upon receipt of the written contract with Huali Construction and/or its subsidiaries, record the key information of the transactions, including the contract parties, contract term and the transaction amounts. In addition, if (i) the aggregate transaction amounts under the Construction Services Framework Agreement exceeds 70% of the relevant Annual Caps, the finance department will be required to report the aggregate transaction amounts to the Company's senior management on a bi-weekly basis; and (ii) the aggregate transaction amounts under the Construction Services Framework Agreement exceeds 90% of the relevant Annual Caps, approval from the Company's senior management shall be obtained before entering into any additional contracts with Huali Construction and/or its subsidiaries. As discussed with the management of the Company, none of the existing continuing connected transactions in relation to the construction services have exceeded the approved annual caps, hence we have no historical report on this matter to review. However, we have obtained the internal control guideline dated 2 December 2019 and issued by the Company which states the procedures mentioned in point (i) and (ii). As such, we have assumed that these measures will be in place accordingly and that the Company will adhere to them in order to ensure the Annual Caps of the transactions will not be exceeded;
- (iii) in order to ensure that the fees charged by Huali Construction are fair and reasonable and no less favourable to the Group than those offered by independent third parties, the Company's infrastructure department will, prior to entering into separate contracts with Huali Construction, obtain at least three quotations from independent third parties and compare the terms offered by Huali Construction and independent third parties using the same objective criteria, which include pricing, technical specifications, quality of construction materials and expected completion time. We have reviewed not less than three sets of quotations related to the construction service contracts entered into between the Group and Huali Construction and/or its subsidiaries or the independent third parties provided by the Company, and noted that the quotations offered by both the independent third parties and Huali Construction and/or its subsidiaries were reviewed by the Company to ensure that the fees charged by the service provider were fair and reasonable

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and no less favourable to the Group which was in compliance with the internal control measures. For further details of our assessment on this internal control measure, please refer to the section headed “3.2 Our analysis regarding the Construction Services Framework Agreement” in this letter. As such, we have assumed that this measure will continue to be implemented by the Company in an effective manner as the past;

- (iv) the Company’s auditor will review the transactions contemplated under the Construction Services Framework Agreement on an annual basis and confirm whether (a) such transactions have been approved by the Board; (b) such transactions were entered into in accordance with the terms of the Construction Services Framework Agreement; and (c) the Annual Caps have been exceeded. We understand the Company must engage its auditor to report on the continuing connected transactions every year and to comment on the above-mentioned issues pursuant to rule 14A.56 to 14A.58 of the Listing Rules. As such, we are of the view that the Company’s auditor will review the transactions contemplated under the Construction Services Framework Agreement to confirm that the transactions thereunder have not exceeded the Annual Caps on a yearly basis; and
- (v) the independent non-executive Directors will review the transactions contemplated under the Construction Services Framework Agreement on an annual basis to confirm whether such transactions are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the terms of the Construction Services Framework Agreement that are fair and reasonable and in the interests of the Shareholders as a whole. We have reviewed the profiles of all independent non-executive Directors provided by the Group’s management. One of them has extensive experience in accounting and business operations and most of them have professional qualifications in education. Therefore, we consider that the independent non-executive Directors are capable of fully implementing the relevant internal control measures in respect of the transactions contemplated under the Construction Services Framework Agreement.

Accordingly, we have reviewed at least ten circulars in relation to the continuing connected transactions as disclosed by the listed companies on the main board of the Stock Exchange during the past three months period prior to 1 August 2020, which reveal those companies have a similar internal control practice of governing the continuing connected transactions, such as reviewing the continuing connected transactions by auditor and independent non-executive directors on a regular basis. In light of the usual practice of the other listed companies on the Stock Exchange and our analysis regarding each of the above internal control procedures to be imposed on the continuing connected transactions, in particular, (i) the reporting system to restrict the maximum value of the continuing connected transactions by way of the Annual Caps; (ii) the comparison of the terms and construction fees between Huali Construction and/or its subsidiaries and the independent third parties made by the Company’s infrastructure department to ensure the construction fees and the terms of each individual contract will be no less favourable than those of the comparable transactions; and (iii) the ongoing regular review by the auditors and the independent non-executive Directors of the Company of the terms of the continuing connected transactions and the relevant Annual Caps not being exceeded, we concur with the view of the Directors (including the independent non-executive Directors) that the procedures to be adopted by the Group to govern the continuing connected transactions are sufficient and effective to ensure that such transactions will be conducted under normal commercial terms and are not prejudicial to the interest of the Company and the Independent Shareholders.

LETTER FROM VINCO CAPITAL

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the Construction Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; (ii) the terms of the Construction Services Framework Agreement are on normal commercial term or better and are fair and reasonable, and it is in the interests of the Company and the Shareholders as a whole to enter into the proposed transactions with Huali Construction; and (iii) the Annual Caps for the three years ending 31 August 2023 for the Construction Services Framework Agreement are fair and reasonable 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 resolutions to be proposed at the EGM approving the Construction Services Framework Agreement and the Annual Caps for the three years ending 31 August 2023.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung 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) Interests 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 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 ⁽¹⁾
Mr. Zhang ⁽²⁾	Settlor of trust	900,000,000 (L)	75.0%
Mr. Zhang Yude ⁽³⁾	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 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 (BVI) Limited is deemed to be interested in the 900,000,000 Shares held by Huali Education.
- (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) Interests 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:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding interest in the Company⁽¹⁾
UBS Trustees (B.V.I.) Limited ⁽²⁾	Trustee	900,000,000 (L)	75.0%
UBS Nominees Limited ⁽²⁾	Interest in controlled corporation	900,000,000 (L)	75.0%
HL-Diamond Limited ⁽²⁾	Interest in controlled corporation	900,000,000 (L)	75.0%
Huali Education ⁽²⁾	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 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 (BVI) Limited is deemed to be interested in the 900,000,000 Shares held by Huali Education.

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 2019, being the date to which the latest published audited accounts of the Company were made up.

Save for Mr. Zhang and Mr. Zhang Yude's interest in the Construction Services Framework Agreement, 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 2019, 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:

Name	Qualification
Vinco Capital Limited	A licensed corporation to conduct 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 date of this circular 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 2019, 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. MISCELLANEOUS

- (i) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.
- (ii) All references to times and dates in this circular refer the Hong Kong times and dates.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (i) the Construction Services Framework Agreement;
- (ii) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (iii) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (iv) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from Vinco Capital" in this circular;
- (v) the written consent referred to in the paragraph headed "7. Consent and Qualification of Expert" in this appendix; and
- (vi) this circular.

NOTICE OF EGM

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 an extraordinary general meeting (the “**Meeting**”) of Huali University Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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 Tuesday, 15 September 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

“THAT:

- (a) the entering into of the framework agreement dated 17 July 2020 between the Company and Guangzhou Huali Construction Co., Ltd.* (廣東華立建築有限公司) (“**Huali Construction**”) (the “**Construction Services Framework Agreement**”), pursuant to which Huali Construction and/or its subsidiaries have agreed to provide construction services for the Group’s school campuses in the People’s Republic of China (including the existing campuses and the proposed new campuses) for the period commencing on the date falling upon the passing of this resolution until 31 August 2023 (a copy of the Construction Services Framework Agreement marked “A” has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), the transactions contemplated thereunder and the proposed annual caps be and are hereby approved, ratified and confirmed; and
- (b) any director of the Company be and is hereby authorised to execute the Construction Services Framework Agreement and all such other documents and to do all such acts or things for and on behalf of the Company, and to make and agree to any variations of a minor or non-material nature in or to the terms of the Construction Services Framework Agreement as he/she may consider appropriate or desirable relating to or in connection with the matters contemplated therein.”

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

Hong Kong, 28 August 2020

NOTICE OF EGM

Notes:

1. The resolutions set out in this notice of the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the Meeting will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.
3. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the form of proxy, it will be deemed to have been revoked.
4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof, provided that no account is to be taken of any part of a day that is a public holiday.
5. Where there are joint registered holders of any Share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
6. The register of members of the Company will be closed from Thursday, 10 September 2020 to Tuesday, 15 September 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the Meeting or any adjournment thereof, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 9 September 2020.
7. Precautionary measures and special arrangements for the Meeting

In view of the novel coronavirus (“**COVID-19**”) outbreak, certain measures will be implemented at the Meeting to reduce the risk of infection to attendees of the Meeting, including but not limited to (i) compulsory body temperature check; (ii) wearing of surgical masks throughout the Meeting; and (iii) no refreshments or drinks being provided. Attendees who do not comply with the precautionary measures above may be denied entry to the Meeting venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of the shareholders, the Company would like to encourage them to exercise their right to vote at the Meeting by appointing the chairman of the Meeting as their proxy and to return their proxy forms by the time specified above, instead of attending the Meeting in person.

The Company will keep monitoring the COVID-19 situation and may implement additional measures which, if any, will be announced at a time closer to the date of the Meeting.

As at the date of this notice, the executive Directors are Mr. Zhang Zhifeng, Mr. Ye Yaming and Mr. Dong Xiaolin; the non-executive Director is Mr. Zhang Yude; and the independent non-executive Directors are Ms. Chiu Lai Kuen Susanna, M.H., J.P., Mr. Yang Ying and Mr. Ding Yi.