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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF LAND USE RIGHTS IN
JIANGMEN CITY, THE PRC**

LAND ACQUISITION

The Company is pleased to announce that on 19 August 2020, Huali College, a consolidated affiliated entity of the Company, entered into the Confirmation Letter with Jiangmen Public Resources Centre and its Xinhui branch, pursuant to which Jiangmen Public Resources Centre and its Xinhui branch have confirmed, and Huali College has acknowledged, that Huali College has won the bid for the land use rights of the Land at a total consideration of RMB124,840,000. As a result of winning the bid, Huali College is expected to enter into the State-owned Land Use Rights Grant Contract with Jiangmen Resources Bureau within five business days of the Confirmation Letter.

In addition, on 29 May 2020, Huali College entered into the Compensation Agreement with Fortune Trading, the previous owner of the land use rights of the Land, pursuant to which Huali College has agreed to, upon the successful bidding for the land use rights of the Land, pay Fortune Trading the costs incurred for the development of the Land in the amount of up to RMB108,500,000.

The Land will be used for the construction of a new school campus in Jiangmen City, the PRC.

LISTING RULES IMPLICATIONS

As the payment of the consideration under the Compensation Agreement is subject to, among other things, the winning of the bid for the land use rights of the Land, the consideration payable under the Compensation Agreement shall be deemed as an integrated part of the consideration for the Land Acquisition, and the transactions contemplated under the Compensation Agreement and the Land Acquisition shall be aggregated as a series of transactions of the Company pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios for the Land Acquisition exceed 5% but are all less than 25%, the Land Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

LAND ACQUISITION

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In addition, on 29 May 2020, Huali College entered into the Compensation Agreement with Fortune Trading, the previous owner of the land use rights of the Land, pursuant to which, Huali College has agreed to, upon the successful bidding for the land use rights of the Land, pay Fortune Trading the costs incurred for the development of the Land in the amount of up to RMB108,500,000.

Details of the Confirmation Letter are set out as follows:

Date:	19 August 2020
Parties:	(i) Huali College; (ii) Jiangmen Public Resources Centre, being a local government authority under the Jiangmen Municipal People's Government of the PRC; and (iii) Xinhui branch of Jiangmen Public Resources Centre, being a local government authority under the Jiangmen Municipal People's Government of the PRC
Subject matter:	Jiangmen Public Resources Centre and its Xinhui branch have confirmed, and Huali College has acknowledged, that Huali College has won the bid for the land use rights of the Land at a total consideration of RMB124,840,000.

Huali College has won the bid for the land use rights of the Land at a total consideration of RMB124,840,000. Huali College has remitted an amount of RMB24,970,000 to Jiangmen Resources Bureau as deposit for the auction. The deposit will form part of the consideration. The payment of the balance of the consideration shall be made within 30 days after the date of the State-owned Land Use Rights Grant Contract. The Directors believe that the consideration for the Land is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Land is located at Weikensanlongwei, Yamen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC* (中國廣東省江門市新會區崖門鎮圍墾三龍圍). The Land is of a total site area of 233,333 sq.m. and an estimated gross floor area of 233,333 sq.m. to 583,333 sq.m.. The Land is for educational purpose and the term of the land use rights of the Land is 50 years. The Land will be used for the construction of a new school campus in Jiangmen City, the PRC.

The major terms of the Compensation Agreement are set out as follows:

Date: 29 May 2020

Parties: (i) Huali College; and
(ii) Fortune Trading, being the owner of the land use rights of the Land prior to the land expropriation carried out by the local government of Xinhui District, Jiangmen City, and ultimately owned by Mr. Lai Pak Yam (黎柏欽先生)

Consideration and payment terms: The actual amount payable by Huali College to Fortune Trading shall be subject to the final bidding price of the Land made by Huali College and shall not exceed RMB108,500,000⁽¹⁾.

Huali College shall pay a deposit of RMB20 million into the escrow account within 10 days of the signing of the Compensation Agreement as performance guarantee (the “**Performance Guarantee**”).

The consideration shall be payable in two instalments: (i) the first instalment in the amount of RMB20 million shall be made by releasing the Performance Guarantee to Fortune Trading after Huali College obtains the land use rights of the Land; and (ii) the balance of the consideration shall be paid within 90 days after the size of the land granted to Huali College reaches 600 mu (畝) (equivalent to approximately 400,000 sq.m.).

Termination of the Compensation Agreement: The Compensation Agreement shall be terminated upon the occurrence of the following events:

- (i) there is a change of plan on the expropriation of the Land and the Land does not fall into the scope of land expropriation of the local government of Xinhui District, Jiangmen City;
- (ii) the purpose of the Land fails to be changed to educational purpose, or there are material obstacles in changing the purpose of the Land into educational purpose; or
- (iii) Huali College fails to obtain the land use rights of the Land.

Upon the termination of the Compensation Agreement, the Performance Guarantee shall be returned to Huali College, and Fortune Trading shall pay Huali College the accrued interest on the Performance Guarantee based on the interest rates of loans imposed by the People’s Bank of China.

Note:

- (1) According to the Compensation Agreement, if the final bidding price of the Land is more than RMB350,000 per mu (畝), the excess amount (i.e. the final bidding price of the Land minus the amount calculated by multiplying the total site area of the Land by RMB350,000 per mu (畝)) shall be deducted from the consideration of RMB108,500,000. Accordingly, the actual consideration payable by Huali College to Fortune Trading under the Compensation Agreement shall be RMB106,160,000.

The consideration for the bidding for the land use rights of the Land was the price of the final bid of the Land made by Huali College. In submitting the bid in respect of the Land, Huali College has taken into account the minimum bid price, the current market conditions, the location of the Land and the land price in the surrounding area.

The consideration in respect of the Compensation Agreement was determined after arm's length's negotiation between Huali College and Fortune Trading with reference to the land price in the surrounding area, the size of the Land, the current status of the Land and the construction costs incurred for the foundation pit of the Land.

The consideration for the Land Acquisition shall comprise the consideration for the bidding for the land use rights of the Land and the consideration in respect of the Compensation Agreement. The aggregated consideration for the Land Acquisition is RMB231,000,000 and is expected to be funded with the internal resources and/or other financing of the Group.

INFORMATION OF THE GROUP AND THE PARTIES

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 College is a private independent college established under the laws of the PRC and a consolidated affiliated entity of the Company.

Jiangmen Public Resources Centre and its Xinhui branch are local government authorities under the Jiangmen Municipal People's Government of the PRC and are responsible for, among others, managing the trading operations of public resources. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jiangmen Public Resource Centre, its Xinhui branch and their ultimate beneficial owner are third parties independent of the Company and its connected persons.

Jiangmen Resources Bureau is a local government entity under the Jiangmen Municipal People's Government of the PRC and is responsible for, among others, the granting of land use rights in Jiangmen City, Guangdong Province, the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jiangmen Resources Bureau and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Fortune Trading was the owner of the land use rights of the Land prior to the land expropriation carried out by the local government of Xinhui District, Jiangmen City. Fortune Trading is principally engaged in the trading business and is ultimately owned by Mr. Lai Pak Yam (黎柏欽先生). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fortune Trading and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION

The Land is intended to be used for the construction of a new school campus with a view to expanding the capacity of the Group's existing school campuses. The Land Acquisition and the establishment of a new school campus on the Land is consistent with the Group's development strategies.

Having taken into account the above factors, the Directors believe that the Land Acquisition is beneficial to the Company and the Shareholders as a whole, and the Land is considered suitable to support the business development of the Group. The Directors also consider that the terms of the Land Acquisition are on normal commercial terms, and are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the payment of the consideration under the Compensation Agreement is subject to, among other things, the winning of the bid for the land use rights of the Land, the consideration payable under the Compensation Agreement shall be deemed as an integrated part of the consideration for the Land Acquisition, and the transactions contemplated under the Compensation Agreement and the Land Acquisition shall be aggregated as a series of transactions of the Company pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios for the Land Acquisition exceed 5% but are all less than 25%, the Land Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Huali University Group Limited (华立大学集团有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Confirmation Letter”	the transaction confirmation letter* (成交確認書) entered into by Huali College, Jiangmen Public Resources Centre and its Xinhui branch on 19 August 2020 as a result of the successful bidding for the land use rights of the Land

“Compensation Agreement”	the compensation agreement entered into between Huali College and Fortune Trading on 29 May 2020, pursuant to which Huali College has agreed to, upon the successful bidding for the land use rights of the Land, pay Fortune Trading the costs incurred for the development of the Land in the amount of up to RMB108,500,000
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Fortune Trading”	Fortune Trading Co. (富中貿易公司), a trading business established in Hong Kong and owned by Mr. Lai Pak Yam (黎柏欽先生)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 and a consolidated affiliated entity of the Company
“Jiangmen Public Resources Centre”	Jiangmen Public Resources Trading Centre* (江門市公共資源交易中心), a local government authority under the Jiangmen Municipal People’s Government of the PRC
“Jiangmen Resources Bureau”	Jiangmen Bureau of Natural Resources* (江門市自然資源局), a local government authority under the Jiangmen Municipal People’s Government of the PRC
“Land”	a piece of land located at Weikensanlongwei, Yamen Town, Xinhui District, Jiangmen City, Guangdong Province, the PRC* (中國廣東省江門市新會區崖門鎮圍墾三龍圍), which is of a total site area of 233,333 sq.m. and an estimated gross floor area of 233,333 sq.m. to 583,333 sq.m.
“Land Acquisition”	the acquisition of the land use rights of the Land through a public bidding process at an auction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the ordinary share(s) of US\$0.0001 each of the Company
‘sq.m.’	square metre(s)
“State-owned Land Use Rights Grant Contract”	the State-owned Construction Land Use Rights Grant Contract* (國有建設用地使用權出讓合同) to be entered into by Huali College and Jiangmen Resources Bureau pursuant to the Confirmation Letter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Huali University Group Limited
ZHANG Zhifeng
Chairman

Hong Kong, 19 August 2020

As at the date of this announcement, 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.

** English translation of names in Chinese which is marked with “*” in this announcement is for identification purposes only*