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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)

**ADOPTION OF RESTRICTED SHARE AWARD SCHEME AND
SHARE PURCHASE PURSUANT TO
RESTRICTED SHARE AWARD SCHEME**

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board is pleased to announce that, on July 21, 2021, the Board approved the adoption of the Scheme. The purposes and objectives of the Scheme are (i) to recognise and motivate the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship with the Group.

The Scheme does not constitute a share option scheme nor an arrangement which is analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is not required to comply with the requirements thereunder. No approval from the Shareholders is required for the adoption of the Scheme.

**SHARE PURCHASE PURSUANT TO RESTRICTED SHARE AWARD
SCHEME**

The Board also resolved to cause to be paid an amount of cash to the Trustee for the purchase of the Shares on and/or off the market at appropriate time for the operation of the Scheme at any time at its discretion.

The Board believes that the current share price of the Company significantly undervalues the Company's business performance and underlying value, which represents a good opportunity to acquire Shares to satisfy the award of Shares under the Scheme in the future.

The Board believes that the Share Purchase as incentive will create value for the Shareholders, and the current financial position of the Group enables the Company to provide the necessary funding to the Trustee to carry out the Share Purchase while maintaining sufficient financial resources for continued growth of the Group's operations.

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board is pleased to announce that, on July 21, 2021, the Board approved the adoption of the Scheme.

A summary of the Scheme Rules is set out below:

Purposes and Objectives

The purposes and objectives of the Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship with the Group.

Duration

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Scheme shall be valid and effective for 10 years commencing from the date of the first grant of any Award. As at the date of this announcement, no Award has been granted under the Scheme.

Administration

The Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules and the terms of the Trust Deed. The Trustee shall hold the trust fund (including the Awarded Shares and related income) in accordance with the terms of the Trust Deed. The Board may from time to time issue implementation and operation manual for the Scheme.

The Board may delegate the authority to administer the Scheme to a committee of the Board or any person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractor(s) to assist in the administration of the Scheme as it thinks fit.

Operation

The Board may, at any time at its discretion, (a) cause the Company to issue and allot new Shares to the Trustee under a General Mandate, or (b) cause to be paid by the Group an amount of cash to the Trustee for the purchase of Shares on and/or off the market at the prevailing market price for the operation of the Scheme. Once purchased, the Shares are to be held by the Trustee to satisfy the award of Shares under the Scheme.

In the event that the Board decides to issue and allot new Shares to the Trustee under the General Mandate, the Trustee shall subscribe the relevant Shares from the Company at a subscription price per Share which shall not be less than 80% of the benchmarked price of the Shares as set out in Rule 13.36(5) of the Listing Rules.

An application will be made to the Listing Committee for the listing of, and permission to deal in, any Shares which may be allotted and issued pursuant to the Scheme (as appropriate).

The Company will make further announcement(s) if the Board decided to cause the Company to issue and allot new Shares to the Trustee under a General Mandate pursuant to the Scheme.

Scheme Limit

The Board shall not make any further award of Awarded Shares which will result in the number of Shares awarded by the Board under the Scheme exceeding 2% of the issued share capital of the Company from time to time.

The maximum number of Shares which may be awarded to a Selected Participant under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

Award of Awarded Shares

Subject to the Scheme Rules, the Board may, from time to time, at its sole and absolute discretion select any Eligible Participant (other than an Excluded Participant) for participation in the Scheme as a Selected Participant. As at the date of this announcement, the Board has not identified any Eligible Participant.

In determining the number of Awarded Shares for a Selected Participant, the Board may take into consideration matters including (without limitation), the general financial condition of the Group and the rank and performance of the relevant Selected Participant.

The Board is entitled to impose any conditions (including, without limitation, the performance, operating and financial targets and other criteria such as payment of grant price, if any, to be satisfied by the Selected Participant), as it deems appropriate in its sole and absolute discretion before the Awarded Shares can vest. The Board shall inform (i) such Selected Participant the number of Awarded Shares, the vesting conditions and the vesting schedule; and (ii) the Trustee the relevant information of the Selected Participant and the relevant conditions of the Awarded Shares.

No Awards will be granted to any Excluded Participant. Where any grant of Awarded Shares is proposed to be made to any Selected Participant who is a Director (including any independent non-executive Director), Such grant must first be approved by all the independent non-executive Directors and in case if the Awards form part of the Director's remuneration under his/her service contract with the Company, such grant is required to be approved by the remuneration committee of the Company. In such case, such Director shall abstain from voting on the Board resolution(s) approving the grant of Award to himself/herself.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such the provisions of the Listing Rules as may be applicable unless otherwise exempted under the Listing Rules.

Any Award made under the Scheme Rules shall be personal to the Selected Participant to whom it is made and shall not be assignable or transferrable and, subject to the Scheme Rules, no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to such Award or the related income or any of the Returned Shares under the Scheme prior to the Vesting Date.

Vesting of Awarded Shares

Subject to the terms and conditions of the Scheme and the fulfillment of all relevant vesting conditions, the respective Awarded Shares held by the Trustee on behalf of a Selected Participant pursuant to the provision of the Scheme Rules shall vest in such Selected Participant in accordance with the vesting schedule (if any) and the Trustee shall cause the Awarded Shares to be transferred to such Selected Participant on the Vesting Date(s), provided that the Selected Participant remains at all times after the grant of the Award and on each relevant Vesting Date an Eligible Participant.

Where any Awarded Shares and the related income which is in the form of Shares are not vested in any Selected Participant for whatever reasons in accordance with the Scheme Rules, all such unvested Awarded Shares and the related income shall become and for all intents and purposes be deemed to become the Returned Shares for the purposes of the Scheme and in accordance with the Scheme Rules.

In respect of a Selected Participant who retired by agreement with a member of the Group at any time prior to or on the Vesting Date, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his or her retirement with the relevant member of the Group.

Disqualification of Selected Participant

In the event that prior to or on the Vesting Date, a Selected Participant is found to be an Excluded Participant or is deemed by the Board in its sole and absolute discretion to cease to be an Eligible Participant under the following circumstances:

- (a) where such person has committed any act of fraud or dishonesty or misconduct;
- (b) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his or her debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his or her creditors generally or an administrator has taken possession of any of his or her assets;
- (c) where such person has been convicted of any criminal offence; or
- (d) where such person has been convicted of or is being held liable for any offence under or any breach of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time.

Lapse of Award

(1) Total Lapse

In the event that prior to or on the Vesting Date, under the following circumstances and subject to the terms of the Scheme, the Award shall, unless the Board otherwise agrees, lapse forthwith and the Awarded Shares of such Award shall not vest on the relevant Vesting Date but shall become Returned Shares for the purpose of the Scheme:

- (i) the relevant Selected Participant dies or ceases to be an Eligible Participant;
- (ii) the Subsidiary by which a Selected Participant is employed ceases to be a Subsidiary of the Company (or of a member of the Group); or
- (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company.

(2) Partial Lapse

In the event that prior to or on the Vesting Date, under the following circumstances and subject to the terms of the Scheme, the relevant part of the Award made to such Selected Participant shall, unless the Board otherwise agrees, lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purpose of the Scheme:

- (i) a Selected Participant is found to be an Excluded Participant; or
- (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares within the stipulated period.

In case there is any lapsed Award, the Trustee shall hold the Returned Shares subject to future grants to be made by the Board in its sole and absolute discretion.

Restrictions

No Award shall be made to any Selected Participant by the Board pursuant to the Scheme Rules and no Shares or payment (as the case may be) shall be delivered or made to the Trustee and no instructions to purchase Shares and allotment of new Shares shall be given to the Trustee under the Scheme where any Director is in possession of unpublished inside information in relation to the Group or where dealings in Shares by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time, including the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 to the Listing Rules.

Alteration of the Scheme

The Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect materially and adversely any subsisting rights of any Selected Participant under the Scheme Rules. Written notice of any amendment to the Scheme shall be given to all Selected Participants and the Trustee.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held by it as nominee or under the Trust (if any).

Termination

If not otherwise extended by the Board, the Scheme shall terminate on the earlier of (i) the 10th anniversary date of the date of the first grant of any Award; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the Scheme.

Upon termination of the Scheme, all Shares remaining in the trust fund of the Trust shall be sold by the Trustee. The net proceeds of aforesaid sale and such other funds remaining in the Trust shall be remitted to the Company forthwith after the sale. For the avoidance of doubt, the Trustee may not transfer any Shares to the Company nor may the Company otherwise hold any Shares whatsoever (other than its interest in the proceeds of sale of such Shares mentioned above).

SHARE PURCHASE PURSUANT TO SHARE AWARD SCHEME

On July 21, 2021, the Board also resolved to cause to be paid an amount of cash to the Trustee for the purchase of the Shares on and/or off the market at appropriate time for the operation of the Scheme at any time at its discretion.

The Board believes that the current share price of the Company significantly undervalues the Company's business performance and underlying value, which represents a good opportunity to acquire Shares to satisfy the award of Shares under the Scheme in the future. The Shares acquired will be used to satisfy the Award to provide incentive to the Eligible Participants in the future.

The Board believes that the Share Purchase as incentive will create value for the Shareholders, and the current financial position of the Group enables the Company to provide the necessary funding to the Trustee to carry out the Share Purchase while maintaining sufficient financial resources for continued growth of the Group's operations.

The Board will closely monitor the operation of the Scheme and the status of the Share Purchase having regard to, among other thing, the market price of the Shares, the number of Shares acquired by the Trustee and the number of Shares required to satisfy the Awards granted (and to be granted) under the Scheme and adjust the scale of the Share Purchase from time to time. In particular, the Board may increase the scale of the Share Purchase if the Shares continue to trade at a level that reflects, in the opinion of the Board, a significant undervaluation of the Company and it remains in the interest of the Company for the Trustee to make such increased purchases of Shares to achieve the purposes and objectives of the Scheme. With a view to optimising the capital resources of the Group for the long-term sustainable development of the Group, the Board may instruct the Trustee to halt the Share Purchase when the market price of the Shares reaches a level that the Board considers no longer reflects an undervaluation of the Company and consider other alternatives to achieve the said purposes and objectives.

As at the date of this announcement, no Shares have been awarded pursuant to the Scheme. The Board will from time to time review and determine at its sole and absolute discretion such number of the Shares to be awarded with such vesting conditions it may deem appropriate and the number of Shares to be further purchased from the market under the Scheme.

LISTING RULES IMPLICATIONS

The Scheme does not constitute a share option scheme nor an arrangement which is analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is not required to comply with the requirements thereunder. No approval from the Shareholders is required for the adoption of the Scheme.

DEFINITIONS

“Award”	an award of Shares by the Board to a Selected Participant pursuant to the Scheme Rules under the Scheme
“Awarded Share(s)”	in respect of a Selected Participant, such number of Shares determined by the Board and granted to such Selected Participant pursuant to the Scheme Rules under the Scheme
“Board”	the board of Directors or a committee or sub-committee or person(s) as from time to time delegated with the power and authority by the board of Directors to administer the Scheme
“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, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1756)
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	any employee (whether full time or part time) of any member of the Group, in each case, in the sole and absolute discretion of the Board, who have contributed or will contribute to the growth and development of the Group
“Excluded Participant(s)”	any Eligible Participant who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Participant

“General Mandate”	the general mandate granted or to be granted by the Shareholders to the Directors at general meetings of the Company from time to time to allot, issue or otherwise deal with Shares in accordance with the Listing Rules
“Group”	the Company with its subsidiaries and consolidated affiliated entities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Returned Shares”	such Awarded Shares or the related income which are not vested and/or are forfeited in accordance with the terms of the Scheme or such Shares being deemed to be Returned Shares in accordance with the terms of the Scheme and the Trust Deed
“Scheme”	the “Restricted Share Award Scheme” of the Company constituted by the Scheme Rules
“Scheme Rules”	the rules relating to the Scheme, as approved and adopted by the Board in its present form or as amended from time to time
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules for participating in the Scheme
“Share(s)”	ordinary share(s) in our Company of par value US\$0.0001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Trust”	the trust constituted by the Trust Deed

“Trust Deed”	a trust deed to be entered into between the Company as settlor and the Trustee as trustee (as restated, supplemented and amended from time to time)
“Trustee”	Kastle Limited, and any additional or replacement trustees, being the trustee or trustees for the time being declared in the Trust Deed
“Vesting Date”	in respect of a Selected Participant, the date on which his or her entitlement to the Awarded Shares is vested in such Selected Participant in accordance with the Scheme Rules
“%”	per cent

By Order of the Board
Huali University Group Limited
Zhang Zhifeng
Chairman

Hong Kong, July 21, 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Zhifeng, Mr. Ye Yaming and Mr. Ma Zhixiong; 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.