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## **SOUTH CHINA VOCATIONAL EDUCATION GROUP COMPANY LIMITED**

### **中國華南職業教育集團有限公司**

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

**(Stock Code: 6913)**

## **CONTINUING CONNECTED TRANSACTION NEW PROPERTY LEASE AGREEMENTS**

### **THE NEW PROPERTY LEASE AGREEMENTS**

On 24 August 2023, Lingnan Education, an affiliated entity of the Group, entered into a property lease agreement with Health Valley pursuant to which Lingnan Education leases one property to Health Valley for use in the operation of Health Valley's elderly care and nursing business for a term of one year from 1 September 2023 to 31 August 2024.

On 24 August 2023, Lingnan Institute of Technology, an affiliated entity of the Group, entered into a property lease agreement with Health Valley pursuant to which Lingnan Institute of Technology leases one property to Health Valley for use in the operation of Health Valley's elderly care and nursing business for a term of one year from 1 September 2023 to 31 August 2024.

### **LISTING RULE IMPLICATIONS**

As at the date of this announcement, Health Valley was owned as to 80% by Mr. He Huishan (one of the Controlling Shareholders, the chairman of the Board and an executive Director) and 20% by Ms. Zhou Lanqing (the spouse of Mr. He Huishan), respectively, and hence is an associate of the Controlling Shareholders and a connected person of the Company. Accordingly, the transactions contemplated under the New Property Lease Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Having considered that the Existing Property Lease Agreements and the New Property Lease Agreements are of the same nature and were both entered into by the Group and Health Valley, the Directors consider it appropriate to aggregate the annual transaction amounts (tax exclusive) in relation to the Existing Property Lease Agreements (in respect of the period from 1 January 2023 to 31 August 2023) and the New Property Lease Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules.

Based on the maximum annual cap amount payable to the Group, as one or more of the applicable percentage ratio(s) (other than the profits ratio) for the Existing Property Lease Agreements (in respect of the period from 1 January 2023 to 31 August 2023) and the New Property Lease Agreements on an aggregated basis will be more than 0.1% but less than 5%, the New Property Lease Agreements and the transactions to be conducted under it are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

In August 2020, the Group leased certain properties to its connected person, Health Valley, for a term of three years ending 31 August 2023, for use in the operation of Health Valley's elderly care and nursing business as elderly care building, nursing building and supporting and administrative office located at No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.

On 24 August 2023, Lingnan Education (an affiliated entity of the Group) and Lingnan Institute of Technology (an affiliated entity of the Group) entered into a property lease agreement with Health Valley, respectively, to continue to lease part of the Existing Lease Properties to Health Valley on the terms of the New Property Lease Agreements, the particulars of which are set out below.

## **THE NEW PROPERTY LEASE AGREEMENTS**

### **New Property Lease Agreement I**

The principal terms of the New Property Lease Agreement I are summarized as below:

Date	:	24 August 2023
Parties	:	(1) Lingnan Education, as the lessor; and (2) Health Valley, as the lessee
Duration of the lease	:	For a term of one year from 1 September 2023 to 31 August 2024
Description of the use of the property <sup>1</sup>	:	First Floor, Building C, No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC, with the total gross floor area of approximately 1,625 sq.m., used as elderly care building, nursing building and supporting and administrative office for Health Valley's elderly care and nursing business
Rental	:	The rent of the property shall be RMB42.12/sq.m. per month for the school year ending 31 August 2024, and the monthly rent shall not exceed RMB68,445 (tax inclusive). Health Valley shall pay the rental on a biannual basis.
Water and electricity charges	:	Health Valley shall be responsible for the cost of water and electricity incurred on the premises. Health Valley shall pay to Lingnan Education the corresponding water and electricity charges incurred on a monthly basis upon receipt of the water and electricity bill provided by Lingnan Education to reimburse Lingnan Education for the corresponding amount paid or payable by it.

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<sup>1</sup> The property leased under the New Property Lease Agreement I is part of the properties leased under the Existing Property Lease Agreement I.

Termination and renewal : Pursuant to the New Property Lease Agreement I, a party shall not terminate the agreement without serving a written notice of three months and obtaining the consent of the other party. Upon expiry of the New Property Lease Agreement I, if the parties intend to continue the lease arrangement in respect of the property concerned, they shall enter into a new governing agreement.

## **New Property Lease Agreement II**

The principal terms of the New Property Lease Agreement II are summarized as below:

Date : 24 August 2023

Parties : (1)Lingnan Institute of Technology, as the lessor; and  
(2)Health Valley, as the lessee

Duration of the lease : For a term of one year from 1 September 2023 to 31 August 2024

Description of the use of the property<sup>2</sup> : Dormitory A, No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC, with the total gross floor area of approximately 14,287 sq.m., used as elderly care building, nursing building and supporting and administrative office for Health Valley's elderly care and nursing business

Rental : The rent of the property shall be RMB42.12/sq.m. per month for the school year ending 31 August 2024, and the monthly rent shall not exceed RMB601,768.44 (tax inclusive). Health Valley shall pay the rental on a biannual basis.

Water and electricity charges : Health Valley shall be responsible for the cost of water and electricity incurred on the premises. Health Valley shall pay to Lingnan Institute of Technology the corresponding water and electricity charges incurred on a monthly basis upon receipt of the water and electricity bill provided by Lingnan Institute of Technology to reimburse Lingnan Institute of Technology for the corresponding amount paid or payable by it.

Termination and renewal : Pursuant to the New Property Lease Agreement II, a party shall not terminate the agreement without serving a written notice of three months and obtaining the consent of the other party. Upon expiry of the New Property Lease Agreement II, if the parties intend to continue the lease arrangement in respect of the property concerned, they shall enter into a new governing agreement.

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<sup>2</sup> The property leased under the New Property Lease Agreement II is part of the properties leased under the Existing Property Lease Agreement II.

## Historical Transaction Amounts

The actual transaction amounts (tax exclusive) in relation to the Existing Property Lease Agreements for the years ended 31 December 2021 and 2022 are as follows:

<b>Lease agreement</b>	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ended 31 December 2022 (RMB)</b>
Existing Property Lease Agreement I	10,159,641	5,423,846
Existing Property Lease Agreement II	6,900,171	6,658,597
<b>Total</b>	<b>17,059,812</b>	<b>12,082,443</b>

## Annual Caps and Basis of Annual Caps

Taken into account the annual maximum transaction amounts (tax exclusive) for the transactions contemplated under the Existing Property Lease Agreements, the annual caps for the transactions contemplated under the Property Lease Agreements in aggregate for the years ending 31 December 2023 and 2024 are as follows:

<b>Lease agreement</b>	<b>For the year ending 31 December 2023 (RMB)</b>	<b>For the year ending 31 December 2024 (RMB)</b>
Existing Property Lease Agreement I	7,557,102 <sup>3</sup>	–
Existing Property Lease Agreement II	4,988,805 <sup>3</sup>	–
New Property Lease Agreement I	260,743 <sup>4</sup>	521,486 <sup>5</sup>
New Property Lease Agreement II	2,292,451 <sup>4</sup>	4,584,902 <sup>5</sup>
<b>Total</b>	<b>15,099,101</b>	<b>5,106,388</b>
<b>Annual cap</b>	<b>15,099,101</b>	<b>5,106,388</b>

The monthly rental rates of the New Lease Properties under the New Property Lease Agreements were determined after arm's length negotiation between the parties and with reference to (i) the historical transaction amounts for the relevant Existing Property Lease Agreements and (ii) the rental valuation conducted by the Independent Property Valuer based on comparisons to transacted rental fees or asking rental fees of comparable properties (the "**Rental Valuation**").

The above annual caps for the transactions contemplated under the Existing Property Lease Agreements and the New Property Lease Agreements for the years ending 31 December 2023 and 2024 are calculated based on the maximum rental amounts (tax exclusive) payable under the relevant Property Lease Agreements for the corresponding period.

<sup>3</sup> During the period from 1 January 2023 to 31 August 2023.

<sup>4</sup> During the period from 1 September 2023 to 31 December 2023.

<sup>5</sup> Assuming no more transactions from 1 September 2024 to 31 December 2024.

## **INFORMATION ON THE PARTIES**

### **The Group, Lingnan Education and Lingnan Institute of Technology**

The Group is a private formal vocational education service provider in the PRC.

Lingnan Education is a limited liability company established under the laws of the PRC, which is principally engaged in vocational skills training and business management consulting services. Lingnan Education is an affiliated entity of the Group and the sole school sponsor of Lingnan Institute of Technology and Guangdong Lingnan Modern Technician College.

Lingnan Institute of Technology is a private education institution registered under the laws of the PRC, which primarily offers junior college program.

### **Health Valley**

Health Valley is a limited liability company established under the laws of the PRC, which is principally engaged in elderly care and nursing business. It is owned as to 80% by Mr. He Huishan (one of the Controlling Shareholders, the chairman of the Board and an executive Director) and 20% by Ms. Zhou Lanqing (the spouse of Mr. He Huishan), respectively, and hence is an associate of the Controlling Shareholders and a connected person of the Company.

## **REASONS FOR AND BENEFITS OF THE NEW PROPERTY LEASE AGREEMENTS**

By entering into the New Property Lease Agreements, the Group is able to continue to lease the said properties to Health Valley to earn rental income without the need to reidentify proper lessees or change the relevant logistics arrangements. Having considered (i) the Group's good relationship with Health Valley; (ii) the rental income to be received by the Group; and (iii) the Rental Valuation, the Directors (including the independent non-executive Directors, save for Mr. He Huishan and Ms. He Huifen) consider that (a) the terms of the New Property Lease Agreements are fair and reasonable; (b) the entering into of the New Property Lease Agreements is in the ordinary and usual course of business of the Group, on normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (c) the annual caps for the transactions contemplated under the Existing Property Lease Agreements (in respect of the period from 1 January 2023 to 31 August 2023) and the New Property Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. He Huishan is materially interested in the Property Lease Agreements and the transactions contemplated thereunder, he abstained from voting on the relevant Board resolutions in respect of the Property Lease Agreements and the transactions contemplated thereunder. Ms. He Huifen, an executive Director and sister of Mr. He Huishan, also abstained from voting on the relevant Board resolutions in respect of the Property Lease Agreements and the transactions contemplated thereunder as she is an associate of Mr. He Huishan.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Health Valley was owned as to 80% by Mr. He Huishan (one of the Controlling Shareholders, the chairman of the Board and an executive Director) and 20% by Ms. Zhou Lanqing (the spouse of Mr. He Huishan), respectively, and hence is an associate of the Controlling Shareholders and a connected person of the Company. Accordingly, the transactions contemplated under the New Property Lease Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Having considered that the Existing Property Lease Agreements and the New Property Lease Agreements are of the same nature and were both entered into by the Group and Health Valley, the Directors consider it appropriate to aggregate the annual transaction amounts (tax exclusive) in relation to the Existing Property Lease Agreements (in respect of the period from 1 January 2023 to 31 August 2023) and the New Property Lease Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules.

Based on the maximum annual cap amount payable to the Group, as one or more of the applicable percentage ratio(s) (other than the profits ratio) for the Existing Property Lease Agreements (in respect of the period from 1 January 2023 to 31 August 2023) and the New Property Lease Agreements on an aggregated basis will be more than 0.1% but less than 5%. Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the transactions under the New Property Lease Agreements are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司), incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company
“Director(s)”	the director(s) of the Company
“Existing Lease Properties”	the six properties located at No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC leased to Health Valley under the Existing Property Lease Agreements
“Existing Property Lease Agreement I”	the property lease agreement dated 10 August 2020 entered into between Lingnan Education and Health Valley
“Existing Property Lease Agreement II”	the property lease agreement dated 12 August 2020 entered into between Lingnan Institute of Technology and Health Valley
“Existing Property Lease Agreements”	collectively, (i) the Existing Property Lease Agreement I and (ii) the Existing Property Lease Agreement II
“Group”	the Company, its subsidiaries and its affiliated entities

“Health Valley”	Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司), a limited liability company established under the laws of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Property Valuer”	Shenzhen Pengxin Appraisal Limited (深圳市鵬信資產評估土地房地產估價有限公司), the independent property valuer appointed by the Group to assess the market rental rates of the New Lease Properties
“Lingnan Education”	Guangzhou Lingnan Education Group Co., Ltd.* (廣州嶺南教育集團有限公司), a limited liability company established under the laws of the PRC and an affiliated entity of the Group
“Lingnan Institute of Technology”	Guangdong Lingnan Institute of Technology* (廣東嶺南職業技術學院), a private education institution registered under the laws of the PRC, the school sponsor’s interest of which is wholly-owned by Lingnan Education
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Lease Properties”	the properties leased to Health Valley under the New Property Lease Agreements, which are part of the Existing Lease Properties
“New Property Lease Agreement I”	the property lease agreement dated 24 August 2023 entered into between Lingnan Education and Health Valley
“New Property Lease Agreement II”	the property lease agreement dated 24 August 2023 entered into between Lingnan Institute of Technology and Health Valley
“New Property Lease Agreements”	collectively, (i) the New Property Lease Agreement I and (ii) the New Property Lease Agreement II
“PRC”	the People’s Republic of China
“Property Lease Agreements”	the Existing Property Lease Agreements and the New Property Lease Agreements
“RMB”	Renminbi, the lawful currency of PRC
“Shareholders”	shareholders of the Company

“Stock Exchange”                      The Stock Exchange of Hong Kong Limited

“subsidiary (ies)”                    has the meaning ascribed to it under the Listing Rules

“%”    per cent

By Order of the Board  
**South China Vocational Education Group Company Limited**  
**He Huishan**  
*Chairman*

Hong Kong, 24 August 2023

*In this announcement, the English translation of company or entity names in Chinese which are marked with “\*” is for identification purpose only.*

*As at the date of this announcement, the executive directors of the Company are Mr. He Huishan, Ms. He Huifen and Mr. Lao Hansheng; and the independent non-executive directors of the Company are Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao.*