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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 AGREEMENT

NEW PROPERTY LEASE AGREEMENT

On 30 September 2024 (after trading hours), Lingnan Institute of Technology, an affiliated entity of the Group, entered into the New 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 from 1 October 2024 to 31 August 2027.

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 Agreement 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 Agreement 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 2024 to 31 August 2024) and the New Property Lease Agreement 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 2024 to 31 August 2024) and the New Property Lease Agreement 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 Agreement 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

Pursuant to the Existing Property Lease Agreements, the Group leased the Existing Lease Properties to its connected person, Health Valley, for a term of one year from 1 September 2023 to 31 August 2024, 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. Since 1 September 2024, Health Valley ceased to occupy the properties previously rented to Health Valley under the Existing Property Lease Agreements upon the expiration of the Existing Property Lease Agreements, as the relevant properties were undergoing maintenance and renovation by the Group.

On 30 September 2024 (after trading hours), Lingnan Institute of Technology, an affiliated entity of the Group, entered into the New Property Lease Agreement with Health Valley to continue to lease part of the Existing Lease Properties to Health Valley on the terms of the New Property Lease Agreement, the particulars of which are set out below.

NEW PROPERTY LEASE AGREEMENT

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

Date:	30 September 2024
Parties:	(i) Lingnan Institute of Technology, as the lessor (ii) Health Valley, as the lessee
Duration of the Lease:	From 1 October 2024 to 31 August 2027
Description of the Use of the Property ¹ :	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 from 1 October 2024 to 31 August 2027, 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.

¹ The property leased under the New Property Lease Agreement is the property leased under the Existing Property Lease Agreement II.

Termination and Renewal: Pursuant to the New Property Lease Agreement, 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, if the parties intend to continue the lease arrangement in respect of the property concerned, they shall enter into a new governing agreement.

Historical Transaction Amounts

The actual transaction amounts (tax exclusive) in relation to the Existing Property Lease Agreements for the year ended 31 December 2023 are as follows:

Lease agreement	For the year ended 31 December 2023 (RMB)
Existing Property Lease Agreement I	260,726
Existing Property Lease Agreement II	2,292,304
Total	2,553,030

Annual Caps and Basis of Annual Caps

Taken into account the actual transaction amounts (tax exclusive) for the transactions under the Existing Property Lease Agreements, the annual caps for the transactions contemplated under the Property Lease Agreements (including the Existing Property Lease Agreements and the New Property Lease Agreement) in aggregate for the years ending 31 December 2024, 2025, 2026 and 2027 are as follows:

Lease agreement	For the year ending 31 December			
	2024 (RMB)	2025 (RMB)	2026 (RMB)	2027 (RMB)
Existing Property Lease Agreement I	521,486 ²	–	–	–
Existing Property Lease Agreement II	4,584,902 ²	–	–	–
New Property Lease Agreement	1,719,338 ³	6,877,354	6,877,354	4,584,902 ⁴
Annual cap	6,825,726⁵	6,877,354	6,877,354	4,584,902⁶

² During the period from 1 January 2024 to 31 August 2024.

³ During the period from 1 October 2024 to 31 December 2024.

⁴ During the period from 1 January 2027 to 31 August 2027.

⁵ Comprising the transaction amounts under the Existing Property Lease Agreements and the New Property Lease Agreement.

⁶ Assuming no further lease of the relevant properties after 31 August 2027.

The monthly rental rates of the New Lease Property under the New Property Lease Agreement were the same as the monthly rental rates under the Existing Property Lease Agreements, and were determined after arm's length negotiation between the parties and with reference to (i) the historical transaction amounts and monthly rental rates for the relevant Existing Property Lease Agreements; and (ii) the prevailing lease fees for similar properties in the vicinity, market rates and actual property conditions, which remained generally stable throughout the term of the Existing Property Lease Agreements and up to the date of the New Property Lease Agreement.

The above annual caps for the transactions contemplated under the Property Lease Agreements for the years ending 31 December 2024, 2025, 2026 and 2027 are calculated based on the maximum rental amounts (tax exclusive) payable under the relevant Property Lease Agreements for the corresponding period.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW PROPERTY LEASE AGREEMENT

By entering into the New Property Lease Agreement, the Group is able to continue to lease the said property 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 prevailing lease fees for similar properties in the vicinity, market rates and actual property conditions, 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 Agreement are fair and reasonable; (b) the entering into of the New Property Lease Agreement 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 2024 to 31 August 2024) and the New Property Lease Agreement 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.

INFORMATION ON THE PARTIES

The Group, Lingnan Institute of Technology and Lingnan Education

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. Lingnan Education is an affiliated entity of the Group and the sole school sponsor of the Lingnan Institute of Technology and the Group's Guangdong Lingnan Modern Technician College. It is principally engaged in vocational skills training and business management consulting services.

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.

LISTING RULES IMPLICATIONS

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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), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholders”	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 24 August 2023 entered into between Lingnan Education and Health Valley
“Existing Property Lease Agreement II”	the property lease agreement dated 24 August 2023 entered into between Lingnan Institute of Technology and Health Valley
“Existing Property Lease Agreements”	Existing Property Lease Agreement I and 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
“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 on May 24, 2002, 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 Property”	the property leased to Health Valley under the New Property Lease Agreement, which is part of the Existing Lease Properties
“New Property Lease Agreement”	the property lease agreement dated 30 September 2024 entered into between Lingnan Institute of Technology and Health Valley
“PRC”	the People’s Republic of China
“Property Lease Agreements”	the Existing Property Lease Agreements and the New Property Lease Agreement

“RMB”	Renminbi, the lawful currency of PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 30 September 2024

As at the date of this announcement, the Board comprises Mr. He Huishan, Ms. He Huifen and Mr. Lao Hansheng as executive Directors; and Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao as independent non-executive Directors.