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China Vocational Education Holdings Limited
中國職業教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code:1756)

CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAP AND RENEWAL OF
CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 17 July 2020 in connection to the Construction Services Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Huali Construction, pursuant to which, Huali Construction and/or its subsidiaries would provide construction services for the Group's school campuses (including the existing campuses and the new campuses) in the PRC. The Construction Services Framework Agreement will expire on 31 August 2023.

Given that the transaction amount under the Construction Services Framework Agreement is approaching the existing annual cap for the year ending 31 August 2023, a revised annual cap of RMB315.0 million is proposed for the total transaction sum under the Construction Services Framework Agreement for the year ending 31 August 2023.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

In contemplation of the expiry of the Construction Services Framework Agreement, the Board announces that on 12 May 2023 (after the trading hours), the Company and Huali Construction entered into the Supplemental Construction Services Framework Agreement to renew the arrangement for a term of one year commencing from 1 September 2023 to 31 August 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 Supplemental Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given the applicable percentage ratios in respect of the revised annual cap under the Construction Services Framework Agreement for the year ending 31 August 2023 exceed 5%, the Proposed Revision of Annual Cap is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as one or more of the applicable percentage ratios of the annual cap of the transactions contemplated under the Supplemental Construction Services Framework Agreement exceed 5%, the transactions contemplated under the Supplemental Construction Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details on the Proposed Revision of Annual Cap; (ii) further details of the terms of the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 June 2023 as additional time is required for the Company to prepare the relevant information for inclusion in the circular.

BACKGROUND

Reference is made to the announcement of the Company dated 17 July 2020 in connection to the Construction Services Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Huali Construction, pursuant to which, Huali Construction and/or its subsidiaries would provide construction services for the Group's school campuses (including the existing campuses and the new campuses) in the PRC. The Construction Services Framework Agreement will expire on 31 August 2023.

REVISION OF ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

Pursuant to the terms of the Construction Services Framework Agreement, the Group has been engaging Huali Construction for construction services for its school campuses. Having considered the relevant factors, including the delay in construction works primarily as a result of the COVID-19 pandemic which contributed to the delay in construction completion, the estimated amount of construction services required by the Group and the expected progress of such construction works, the Company estimates that the existing annual cap under the Construction Services Framework Agreement for the year ending 31 August 2023 will not be sufficient. As a result, a revised annual cap of RMB315.0 million is proposed for the total transaction sum under the Construction Services Framework Agreement for the year ending 31 August 2023.

Based on the Company's management account as at 28 February 2023, the total actual transaction amount for the six months ended 28 February 2023 under the Construction Services Framework Agreement amounted to approximately RMB101.7 million, representing approximately 62.2% of the existing annual cap for the year ending 31 August 2023.

The Company confirms that as at the date of this announcement, the actual transaction amounts for the construction services paid by the Group to Huali Construction and/or its subsidiaries under the Construction Services Framework Agreement have not exceeded the annual cap in respect of these transactions.

Save for the Proposed Revision of Annual Cap, the scope of services and other terms of the Construction Services Framework Agreement shall remain valid and in full force and effect.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

In contemplation of the expiry of the Construction Services Framework Agreement, the Board announces that on 12 May 2023 (after the trading hours), the Company and Huali Construction entered into the Supplemental Construction Services Framework Agreement to continue the provision of construction services for the Group's school campuses in the PRC (including the existing campuses and the new campuses) for a term of one year commencing from 1 September 2023 to 31 August 2024.

THE SUPPLEMENTAL CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

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

Date	:	12 May 2023
Parties	:	(a) the Company; and (b) Huali Construction
Subject matter	:	Huali Construction and/or its subsidiaries have agreed to, during the term of the Supplemental Construction Services Framework Agreement, provide construction services for the Group's school campuses (including the existing campuses and the new campuses) in the PRC. The Group and Huali Construction will enter into a separate contract for each construction project.
Term	:	Commencing from the date of the Supplemental Construction Services Framework Agreement to 31 August 2024 (both days 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.

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 Valuation with Bill of Quantities of Construction Works (《建設工程工程量清單計價規範》) (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》) (provincial standard) (including updates on such guidance materials issued by the regulatory authorities from time to time); 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》) (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.

Conditions precedent : The effectiveness of the Supplemental Construction Services Framework Agreement is conditional upon the Company having obtained the Independent Shareholders' approval in respect of the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder. (including the Annual Caps)

Save for such renewal of terms and annual cap, the scope of services and other terms of the Construction Services Framework Agreement shall remain valid and in full force and effect.

EXISTING ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

The existing annual caps and historical transaction amounts under the Construction Services Framework Agreement are set below:

Financial year	Existing annual caps <i>RMB' million</i>	Historical transaction amounts <i>RMB' million</i>	Utilization rate
From 15 September 2020 (the effective date of the Construction Services Framework Agreement) to 31 August 2021	757.3	429.3	56.7%
From 1 September 2021 to 31 August 2022	414.4	35.2	8.5%
From 1 September 2022 to 31 August 2023	163.4	101.7	62.2%
		<i>(for the six months ended 28 February 2023)</i>	

The Annual Caps

Set out below are the Annual Caps of the continuing connected transactions under the Supplemental Construction Services Framework Agreement:

	From 1 September 2022 to 31 August 2023 <i>RMB' million</i>	From 1 September 2023 to 31 August 2024 <i>RMB' million</i>
Annual caps	315.0	126.0

The Annual Caps were determined after arm's length negotiations between the Company and Huali Construction, with reference to (i) the historical transaction amounts charged to and paid by the Group for the construction projects; (ii) the prevailing market prices of comparable construction services in Guangdong Province from the Independent Third Parties in term of the scale, complexity,

technical requirements, specifications, expected completion time and possible risk factors associated with the engagement, (iii) 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 Valuation with Bill of Quantities of 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》), and (iv) the current status of the construction works and the construction schedule.

INFORMATION OF THE GROUP AND HUALI CONSTRUCTION

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 and vocational education and trainings.

Huali Construction

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL 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 has been expanding its business operation through increasing student enrollment. Such development requires the Group to expand the capacity of its existing campuses.

The Board has been monitoring the performance of the Construction Services Framework Agreement. Taking into account (a) the delay in construction works primarily as a result of the COVID-19 pandemic which contributed to the delay in construction completion, and (b) the actual transaction amounts in respect of the construction works undertaken by Huali Construction and/or its subsidiaries under the Construction Services Framework Agreement, the Board envisages that the existing annual cap under the Construction Services Framework Agreement for the year ending 31 August 2023 will not be sufficient. Therefore, the Board proposed to seek Independent Shareholders' approval of the Proposed Revision of Annual Cap. Further, considering the extensive experience of Huali Construction and/or its subsidiaries in construction projects in the PRC and the good cooperation between the Group and Huali Construction and/or its subsidiaries pursuant to the Construction Services Framework Agreement, the entering into of the Supplemental Construction Services

Framework Agreement will enable the Group to continue to engage Huali Construction and/or its subsidiaries for their construction services with assurance of the quality of construction works for the Group's constructions projects.

The Directors (other than (i) Mr. Zhang and Mr. Zhang Yude who have abstained from voting on the relevant board resolutions; and (ii) the independent non-executive Directors whose view will be formed after taking into account the advice to be given by the Independent Financial Adviser) are of the view that the transactions contemplated under the Supplemental Construction Services Framework Agreement are expected to be entered into in the ordinary and usual course of business of the Group, and the Supplemental Construction Services Framework Agreement (including the Annual Caps) has been entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the Supplemental Construction Services Framework Agreement (including the Annual Caps) are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS

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

- (i) the Company's finance department will closely monitor and record the actual transaction amounts of the transactions contemplated under the Supplemental Construction Services Framework Agreement to ensure that the Annual Caps will not be exceeded;
- (ii) in order to ensure that the fees charged by Huali Construction and/or its subsidiaries are fair and reasonable and no less favourable to the Group than those offered by Independent Third Parties, the Company will, prior to the entering into of separate contracts with Huali Construction and/or its subsidiaries, obtain quotations from Independent Third Parties and compare the terms (including pricing) offered by Huali Construction and/or its subsidiaries with those offered by Independent Third Parties;
- (iii) the Company's auditor will review the transactions contemplated under the Supplemental 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 Supplemental Construction Services Framework Agreement; and (c) the Annual Caps have been exceeded; and
- (iv) the independent non-executive Directors will review the transactions contemplated under the Supplemental 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 Supplemental 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 Supplemental Construction Services Framework Agreement and that the fees to be charged by Huali Construction and/or its subsidiaries will not be less favourable than those charged by Independent Third Parties for similar transactions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 Supplemental Construction Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given the applicable percentage ratios in respect of the revised annual cap under the Construction Services Framework Agreement for the year ending 31 August 2023 exceed 5%, the Proposed Revision of Annual Cap is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, as one or more of the applicable percentage ratios of the annual cap of the transactions contemplated under the Supplemental Construction Services Framework Agreement exceed 5%, the transactions contemplated under the Supplemental Construction Services Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

Since Huali Construction was 99.97% directly owned by Mr. Zhang as at the date of this announcement, Mr. Zhang and Mr. Zhang Yude, an executive Director and the son of Mr. Zhang, have abstained from voting on the board resolutions to approve the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). Save as disclosed above, none of the Directors has material interest in, or is required to abstain from voting on resolutions of the Board in relation to the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

As Mr. Zhang has a material interest in the Supplemental 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 date of this announcement) will be required to abstain from voting on the resolutions in relation to the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) to be proposed at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the transactions contemplated under the Supplemental Construction Services Framework Agreement. Vinco Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details on the Proposed Revision of Annual Cap; (ii) further details of the terms of the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 30 June 2023 as additional time is required for the Company to prepare the relevant information for inclusion in the circular.

DEFINITIONS

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

“Annual Caps”	the annual caps for the transactions contemplated under the Supplemental Construction Services Framework Agreement, being RMB315.0 million and RMB126.0 million for the years ending 31 August 2023 and 2024, respectively
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Vocational Education Holdings Limited 中國職業教育控股有限公司, 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
“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 new campuses) for the period from 15 September 2020 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
“EGM”	an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries
“HL-Diamond Trust”	HL-Diamond Trust is a discretionary trust established by Mr. Zhang Zhifeng as the settlor and with Mr. Zhang Zhifeng and his spouse and children as the beneficiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huali Construction”	Guangdong 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 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
“Independent Board Committee”	a committee of the Board (comprising all the independent non-executive Directors) to be formed for the purpose of advising the Independent Shareholders in respect of the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)

“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders who are not interested in the Supplemental Construction Services Framework Agreement and are not required under the Listing Rules to abstain from voting on the resolutions to approve the Supplemental Construction Services Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Third Party(ies)”	third party(ies) independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“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 announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Revision of Annual Cap”	the proposed increase of the annual cap from RMB163.4 million to RMB315.0 million for the total transaction sum under the Construction Services Framework Agreement for the year ending 31 August 2023
“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

“South China”	Guangdong Province, Guangxi Province and Hainan Province of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Construction Services Framework Agreement”	the supplemental framework agreement dated 12 May 2023 and entered into between the Company and Huali Construction, pursuant to which, Huali Construction and/or its subsidiaries have agreed to revise the annual cap under the Construction Services Framework Agreement for the year ending 31 August 2023 and provide construction services for the Group’s school campuses in the PRC (including the existing campuses and the new campuses) for the period from 1 September 2023 until 31 August 2024 (both dates inclusive)
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By order of the Board
China Vocational Education Holdings Limited
ZHANG Zhifeng
Chairman

Hong Kong, 12 May 2023

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Zhifeng, Mr. Ye Yaming, Mr. Zhang Yude and Mr. Zou Kang; and the independent non-executive directors of the Company are Ms Chiu Lai Kuen Susanna MH JP, 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*