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## **China Xinhua Education Group Limited**

**中國新華教育集團有限公司**

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

**(Stock Code: 2779)**

### **CONTINUING CONNECTED TRANSACTIONS TENANCY AGREEMENTS**

#### **TENANCY AGREEMENT I**

Reference is made to the announcement of the Company dated 25 December 2018 in connection with the Existing Tenancy Agreement dated 25 December 2018 entered into between New East Culinary Institute (as landlord) and School of Clinical Medicine (as tenant) in relation to the Premise I for use as a campus of the School of Clinical Medicine. As the Existing Tenancy Agreement will expire on 31 July 2020, on 30 July 2020, New East Culinary Institute and School of Clinical Medicine entered into the Tenancy Agreement I in relation to the Premise I for a term of one year from 1 August 2020 to 31 July 2021.

#### **TENANCY AGREEMENT II**

On 30 July 2020, Anhui Wontone (as landlord) and School of Clinical Medicine (as tenant) entered into Tenancy Agreement II in relation to the Premise II for use as a dormitory of the School of Clinical Medicine for a term of one year from 1 August 2020 to 31 July 2021.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Mr. Wu Junbao is a non-executive Director and a controlling shareholder of the Company. Each of New East Culinary Institute and Anhui Wontone, being a 30%-controlled company of Mr. Wu Junbao, is an associate of Mr. Wu Junbao and a connected person of the Company. As such, the transaction contemplated under each of the Tenancy Agreements constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Tenancy Agreements have been aggregated for the Listing Rules purposes on the basis that they all relate to leasing premises as the campus and dormitory of the School of Clinical Medicine by the Group from associates of Mr. Wu Junbao.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the annual caps for the Tenancy Agreements exceed 0.1% but are less than 5%, the transactions contemplated under Tenancy Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## BACKGROUND

Reference is made to the announcement of the Company dated 25 December 2018 in connection with the Existing Tenancy Agreement dated 25 December 2018 entered into between New East Culinary Institute (as landlord) and School of Clinical Medicine (as tenant) in relation to the Premise I for use as a campus of the School of Clinical Medicine. As the Existing Tenancy Agreement will expire on 31 July 2020, on 30 July 2020, New East Culinary Institute and School of Clinical Medicine entered into the Tenancy Agreement I in relation to the Premise I for a term of one year from 1 August 2020 to 31 July 2021.

On 30 July 2020, Anhui Wontone (as landlord) and School of Clinical Medicine (as tenant) entered into Tenancy Agreement II in relation to the Premise II for use as a dormitory of the School of Clinical Medicine for a term of one year from 1 August 2020 to 31 July 2021.

## TENANCY AGREEMENT I

The principal terms of the Tenancy Agreement I are set out below:

Date:	30 July 2020
Parties:	New East Culinary Institute (as landlord)  School of Clinical Medicine (as tenant)
Premise I:	A premise located at Guanjing Road, Xiangshan Road, Professional Education Town, Yaohai District, Hefei, Anhui province, the PRC, with a total gross floor area of 30,891.77 square meters
Term:	One year from 1 August 2020 to 31 July 2021
Monthly rental:	RMB500,000  The rental was determined after arm's length negotiations between the parties with reference to the prevailing market rental prices of comparable properties in the vicinity
Payment terms:	Rental shall be payable by two instalments:  By 1 August 2020: RMB3 million for rental from 1 August 2020 to 31 January 2021  By 1 February 2021: RMB3 million for rental from 1 February 2021 to 31 July 2021

## **TENANCY AGREEMENT II**

The principal terms of the Tenancy Agreement II are set out below:

Date:	30 July 2020
Parties:	Anhui Wontone (as landlord)  School of Clinical Medicine (as tenant)
Premise II:	No more than 174 rooms of dormitory building No.8 at the campus of Anhui Wontone which is located at 699 Xuelin Road, Xinzhan District, Hefei, Anhui Province, the PRC, subject to the number of rooms actually used by the tenant
Term:	One year from 1 August 2020 to 31 July 2021
Monthly rental:	No more than RMB174,000, subject to the number of rooms actually used by the tenant  The rental was determined after arm's length negotiations between the parties with reference to the prevailing market rental prices of comparable properties in the vicinity
Prepayment:	RMB50,000, which will be used as security deposit for public property after tenant moves in
Payment terms:	Rental shall be payable by two instalments:  Within five working days after delivery of Premise II to tenant: RMB1,044,000  By 1 March 2021: RMB1,044,000

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS AND THE ANNUAL CAPS**

A new campus of the School of Clinical Medicine is under construction. Phase one of the new campus is expected to be put into operation on 1 September 2021. Before the new campus is put into operation, the Premise I and II under the Tenancy Agreements will be able to provide sufficient facilities for students of the School of Clinical Medicine.

The annual caps for the annual total amounts payable by the Group under the Existing Tenancy Agreement and Tenancy Agreements, as calculated with reference to the historical amounts and the rents and prepayment payable accounted for on actual cash basis, for the years of 2020 and 2021 will be as follows:

	<b>Approximate Annual Amount Payable</b>	
	<b>2020 (RMB)</b>	<b>2021 (RMB)</b>
Existing Tenancy Agreement	Rental: 4,200,000	–
Tenancy Agreement I	Rental: 3,000,000	Rental: 3,000,000
Tenancy Agreement II	Rental: 1,044,000	Rental: 1,044,000
	Prepayment: 50,000	
<b>Annual Caps</b>	<b>8,294,000</b>	<b>4,044,000</b>

The Directors (including the independent non-executive Directors) are of the view that the Tenancy Agreements are entered into on normal commercial terms and the Tenancy Agreements and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Mr. Wu Junbao is considered to have an interest in the transactions contemplated under the Tenancy Agreements, and had abstained from voting on the relevant Board resolution to approve the Tenancy Agreements. Save for the above, none of the Directors has a material interest in the transaction contemplated under the Tenancy Agreements, and is required to abstain or had abstained from, voting on the relevant Board resolutions to approve the Tenancy Agreements.

## **INFORMATION OF THE GROUP, NEW EAST CULINARY INSTITUTE AND ANHUI WONTONE**

The Group mainly provides formal higher education.

Each of New East Culinary Institute and Anhui Wontone mainly provides vocational training education in Hefei, Anhui province, the PRC.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Mr. Wu Junbao is a non-executive Director and a controlling shareholder of the Company. Each of New East Culinary Institute and Anhui Wontone, being a 30%-controlled company of Mr. Wu Junbao, is an associate of Mr. Wu Junbao and a connected person of the Company. As such, the transaction contemplated under each of the Tenancy Agreements constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Tenancy Agreements have been aggregated for the Listing Rules purposes on the basis that they all relate to leasing premises as the campus and dormitory of the School of Clinical Medicine by the Group from associates of Mr. Wu Junbao.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the annual caps for the Tenancy Agreements exceed 0.1% but are less than 5%, the transactions contemplated under Tenancy Agreements are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“associate”	has the meaning as ascribed to it under the Listing Rules
“Anhui Wontone”	Anhui Wontone Automobile Maintenance Institute (安徽萬通汽車專修學院)
“Board”	the board of Director
“Company”	China Xinhua Education Group Limited a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2779)
“connected person”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Tenancy Agreement”	the tenancy agreement dated 25 December 2018 entered into between New East Culinary Institute and School of Clinical Medicine in relation to the Premise I
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New East Culinary Institute”	Anhui New East Culinary Institute (安徽新東方烹飪專修學院)
“PRC”	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Premise I”	a premise located at Guanjing Road, Xiangshan Road, Professional Education Town, Yaohai District, Hefei, Anhui province, the PRC, with a total gross floor area of 30,891.77 square meter

“Premise II”	no more than 174 rooms of building No.8 at the campus of Anhui Wontone which is located at 699 Xuelin Road, Xinzhan District, Hefei, Anhui Province, the PRC, subject to the number of rooms actually used by the tenant
“RMB”	Renminbi dollars, the lawful currency of the PRC
“School of Clinical Medicine”	School of Clinical Medicine of Anhui Medical University (安徽醫科大學臨床醫學院), a university jointly operated by the Group and Anhui Medical University (安徽醫科大學)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	collectively, Tenancy Agreement I and Tenancy Agreement II
“Tenancy Agreement I”	the tenancy agreement dated 30 July 2020, entered into between New East Culinary Institute and School of Clinical Medicine in relation to the Premise I
“Tenancy Agreement II”	the tenancy agreement dated 30 July 2020, entered into between Anhui Wontone and School of Clinical Medicine in relation to the Premise II
“%”	per cent

By order of the Board of  
**China Xinhua Education Group Limited**  
**Wu Junbao**  
*Chairman*

Hong Kong, 30 July 2020

*As at the date of this announcement, the non-executive Director is Mr. Wu Junbao (the Chairman); the executive Directors are Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai; and the independent non-executive Directors are Mr. Jiang Min, Mr. Yang Zhanjun and Mr. Chau Kwok Keung.*