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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)**

## **CONNECTED TRANSACTIONS PROVISION OF FINANCIAL ASSISTANCE**

### **PROVISION OF FINANCIAL ASSISTANCE TO MR. HE HUIZHAN**

On February 21, 2022, Lingnan Education and Mr. He Huishan (賀惠山) entered into the Loan Agreement I, pursuant to which, Lingnan Education agreed to provide the loan in the principal amount of RMB2.45 million to Mr. He Huishan for a term of 12 months.

On February 13, 2022, Lingnan Education and Mr. He Huishan entered into the Loan Agreement II, pursuant to which, Lingnan Education agreed to provide the loan in the principal amount of RMB2.55 million to Mr. He Huishan for a term of 12 months.

### **PROVISION OF FINANCIAL ASSISTANCE TO HEALTH VALLEY**

On September 23, 2022, Lingnan Education and Health Valley entered into the Loan Agreement III, pursuant to which, Lingnan Education agreed to provide the loan in the principal amount of RMB5.00 million to Health Valley for a term of 12 months.

As at December 31, 2022, the aggregate outstanding principal amount to be repaid under the Loan Agreements amounted to RMB10.00 million. As at the date of this announcement, the principal amount together with accrued interest under the Loan Agreements had been fully repaid.

## **LISTING RULE IMPLICATIONS**

As at the date of each of the Loan Agreement I and the Loan Agreement II, Mr. He Huishan was one of the Controlling Shareholders, the chairman of the Board and an executive Director, and hence was a connected person of the Company. Accordingly, the transaction contemplated under each of the Loan Agreement I and the Loan Agreement II constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As at the date of the Loan Agreement III, Health Valley was owned as to 80% by Mr. He Huishan and 20% by Ms. Zhou Lanqing (the spouse of Mr. He Huishan), respectively, and hence was an associate of the Controlling Shareholders and a connected person of the Company. Accordingly, the transaction contemplated under the Loan Agreement III constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) the Loan Agreement I and Loan Agreement II were both entered into by Lingnan Education and Mr. He Huishan and (ii) the Loan Agreement III was entered into by Lingnan Education and Health Valley, which was owned as to 80% by Mr. He Huishan, the transactions contemplated under the Loan Agreement II and the Loan Agreement III were aggregated with the transaction contemplated under the Loan Agreement I in accordance with Rule 14A.82(1) of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of financial assistance granted to Mr. He Huishan and Health Valley are higher than 0.1% but less than 5% and the total value of the financial assistance is more than HK\$3 million, the Loan Agreements and the transactions contemplated thereunder were subject to the reporting and announcement requirements pursuant to Rule 14A.35 of the Listing Rules, but were exempted from the circular (including independent financial advice) and the independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

## **PROVISION OF FINANCIAL ASSISTANCE TO MR. HE HUIZHAN**

### **Loan Agreement I**

On February 21, 2022, Lingnan Education and Mr. He Huishan entered into the Loan Agreement I, pursuant to which, Lingnan Education agreed to provide the loan in the principal amount of RMB2.45 million to Mr. He Huishan for a term of 12 months.

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

Date	:	February 21, 2022
Parties	:	(1) Lingnan Education as lender; and (2) Mr. He Huishan as borrower
Principal loan amount	:	RMB2.45 million, which was determined based on the amount of funds the Company had which were not utilized and did not expect to utilize in the next 12 months

Term	:	12 months from March 15, 2022 to March 14, 2023
Interest rate	:	3.48% per annum, which was negotiated at arm's length between Lingnan Education and Mr. He Huishan with reference to borrowing rate quoted by independent banks
Repayment	:	The principal loan amount together with accrued interest shall be repaid in full after the expiry of the term of the loan.
Guarantee or security	:	The Loan Agreement I is unguaranteed or unsecured.

As at December 31, 2022, the aggregate outstanding principal amount to be repaid under the Loan Agreement I amounted to RMB2.45 million. As at the date of this announcement, the principal amount together with accrued interest under the Loan Agreement I had been fully repaid.

## **Loan Agreement II**

On February 13, 2022, Lingnan Education and Mr. He Huishan entered into the Loan Agreement II, pursuant to which, Lingnan Education agreed to provide the loan in the principal amount of RMB2.55 million to Mr. He Huishan for a term of 12 months.

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

Date	:	February 13, 2022
Parties	:	(1) Lingnan Education as lender; and (2) Mr. He Huishan as borrower
Principal loan amount	:	RMB2.55 million, which was determined based on the amount of funds the Company had which were not utilized and did not expect to utilize in the next 12 months
Term	:	12 months from March 4, 2022 to March 3, 2023
Interest rate	:	3.48% per annum, which was negotiated at arm's length between Lingnan Education and Mr. He Huishan with reference to borrowing rate quoted by independent banks
Repayment	:	The principal loan amount together with accrued interest shall be repaid in full after the expiry of the term of the loan.
Guarantee or security	:	The Loan Agreement II is unguaranteed or unsecured.

As at December 31, 2022, the aggregate outstanding principal amount to be repaid shall the Loan Agreement II amounted to RMB2.55 million. As at the date of this announcement, the principal amount together with accrued interest under the Loan Agreement II had been fully repaid.

## **PROVISION OF FINANCIAL ASSISTANCE TO HEALTH VALLEY**

On September 23, 2022, Lingnan Education and Health Valley entered into the Loan Agreement III, pursuant to which, Lingnan Education agreed to provide the loan in the principal amount of RMB5.00 million to Health Valley for a term of 12 months.

The principal terms of the Loan Agreement III are set out below:

Date	:	September 23, 2022
Parties	:	(1) Lingnan Education as lender; and (2) Health Valley as borrower
Principal loan amount	:	RMB5.00 million, which was determined based on the amount of funds the Company had which were not utilized and did not expect to utilize in the next 12 months
Term	:	12 months from October 14, 2022 to October 13, 2023
Interest rate	:	6.5% per annum, which was negotiated at arm's length between Lingnan Education and Health Valley with reference to People's Bank of China's Loan Prime Rate
Repayment	:	The principal loan amount together with accrued interest shall be repaid in full after the expiry of the term of the loan.
Prepayment	:	Health Valley may repay, in full or in part, the principal loan amount together with the accrued interest before the expiry of the term of the loan with the consent of Lingnan Education.
Guarantee or security	:	The Loan Agreement III is unguaranteed or unsecured.

As at December 31, 2022, the aggregate outstanding principal amount to be repaid under the Loan Agreement III amounted to RMB5.00 million. As at the date of this announcement, the principal amount together with accrued interest under the Loan Agreement III had been fully repaid.

## **INFORMATION ON THE PARTIES**

### **The Group 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 our Guangdong Lingnan Institute of Technology and our Guangdong Lingnan Modern Technician College. It is principally engaged in vocational skills training and business management consulting services.

### **Mr. He Huishan**

Mr. He Huishan is one of the Controlling Shareholders, the chairman of the Board and an executive Director.

### **Health Valley**

Health Valley is owned as to 80% by Mr. He Huishan 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. It is principally engaged in elderly care and nursing business.

## **REASONS FOR AND BENEFITS OF THE FINANCIAL ASSISTANCE**

The provision of the financial assistance to each of Mr. He Huishan and Health Valley was funded by the Company's idle capital. Having considered (i) our good relationships with Mr. He Huishan and Health Valley, (ii) the interests income to be received by the Group and (iii) the clear repayment plan provided by each of Mr. He Huishan and Health Valley, the Directors (other than Mr. He Huishan and Ms. He Huifen) consider that the terms of the respective Loan Agreements are fair and reasonable and the provision of financial assistance to each of Mr. He Huishan and Health Valley is in the interest of the Company and the Shareholders as a whole.

In view of the above, although the financial assistance was provided by Lingnan Education not in the ordinary and usual course of business of the Group, the independent non-executive Directors are of the view that (i) the terms of the Transactions are fair and reasonable, (ii) the Transactions are on normal commercial terms; and (iii) the Transactions are in the interests of the Company and the Shareholders as a whole. As Mr. He Huishan is materially interested in the Loan Agreements and the Transactions, he abstained from voting on the relevant Board resolutions in respect of the Loan Agreements and the Transactions. 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 Loan Agreements and the Transactions as she is an associate of Mr. He Huishan.

## LISTING RULES IMPLICATIONS

As at the date of each of the Loan Agreement I and the Loan Agreement II, Mr. He Huishan was one of the Controlling Shareholders, the chairman of the Board and an executive Director, and hence was a connected person of the Company. Accordingly, the transaction contemplated under each of the Loan Agreement I and the Loan Agreement II constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As at the date of the Loan Agreement III, Health Valley was owned as to 80% by Mr. He Huishan and 20% by Ms. Zhou Lanqing (the spouse of Mr. He Huishan), respectively, and hence was an associate of the Controlling Shareholders and a connected person of the Company. Accordingly, the transaction contemplated under the Loan Agreement III constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As (i) the Loan Agreement I and Loan Agreement II were both entered into by Lingnan Education and Mr. He Huishan and (ii) the Loan Agreement III was entered into by Lingnan Education and Health Valley, which was owned as to 80% by Mr. He Huishan, the transactions contemplated under the Loan Agreement II and the Loan Agreement III were aggregated with the transaction contemplated under the Loan Agreement I in accordance with Rule 14A.82(1) of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the amount of financial assistance granted to Mr. He Huishan and Health Valley are higher than 0.1% but less than 5% and the total value of the financial assistance is more than HK\$3 million, the Loan Agreements and the transactions contemplated thereunder were subject to the reporting and announcement requirements pursuant to Rule 14A.35 of the Listing Rules, but were exempted from the circular (including independent financial advice) and the independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

However, due to an oversight of the senior management team of the Group and their misunderstanding of and being unfamiliar with the requirements under the Listing Rules in relation to financial assistance and connected transaction, the Loan Agreements had not been notified and announced by the Company in a timely manner in accordance with the Listing Rules which constituted breaches of Chapter 14A of the Listing Rules at the material time.

## REMEDIAL ACTIONS

After the executive Directors became aware of the breach, and were fully informed by management of the genuine oversight, the executive Directors immediately directed all management to report any and all connected transactions regardless of amount and terms. Meetings involving all Directors (including the independent non-executive Directors) were convened to discuss the breach and if considered appropriate to approve and ratify the Transactions and approve the appropriate announcement. On March 13, 2023, written resolutions in respect of the Loan Agreements and the Transactions were passed by the Directors. Mr. He Huishan and Ms. He Huifen (as an associate of Mr. He Huishan) abstained from participating in the relevant discussions and approvals, and abstained from voting on any relevant Board resolutions, in respect of the Transactions, except for explaining Mr. He Huishan's reasons for obtaining the loan under the Loan Agreements.

The Company regrets the omission of such disclosure and in order to avoid the occurrence of similar non-compliance with the Listing Rules in the future, the Company has/will implement(ed) the following measures and procedures:

- (1) the connected transaction memorandum and list of connected persons have been circulated to all Directors, senior management and accounting staff of the Group;
- (2) the Directors have consulted the Company's compliance advisor and legal adviser regarding the implications of the Loan Agreements under the Listing Rules and the relevant requirements applicable to the Company;
- (3) the Directors have instructed the management of the Group to take all necessary measures to examine all the loans of the Group and ensure they are in full compliance with the Listing Rules;
- (4) the Company will engage a qualified professional to review the effectiveness of its internal control measures and system;
- (5) the Company will arrange to (i) hold regular departmental meetings to regularly monitor connected transactions and notifiable transactions, (ii) strengthen the reporting system between departments and Directors, and (iii) provide more guidance materials and trainings on compliance matters to the Directors, senior management and the financial staff of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules; and
- (6) the Company will engage its legal advisors to provide appropriate training to its Directors and senior management.

The Board and senior management of the Group have been fully advised on the relevant requirements under the Listing Rules and will ensure that the Company will comply with the relevant Listing Rules and to avoid the recurrence of similar events in the future.

## 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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreement I”	the loan agreement entered into among Lingnan Education and Mr. He Huishan dated February 21, 2022
“Loan Agreement II”	the loan agreement entered into among Lingnan Education and Mr. He Huishan dated February 13, 2022
“Loan Agreement III”	the loan agreement entered into among Lingnan Education and Health Valley dated September 23, 2022
“Loan Agreements”	collectively, Loan Agreement I, Loan Agreement II and Loan Agreement III
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of PRC
“Shareholders”	Our shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary (ies)”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the financial assistance in form of the loan provided by Lingnan Education to (i) Mr. He Huishan on February 21, 2022 in the amount of RMB2.45 million, (ii) Mr. He Huishan on February 13, 2022 in the amount of RMB2.55 million and (iii) Health Valley on September 23, 2022 in the amount of RMB5.00 million, pursuant to the Loan Agreements
“%”	per cent

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

Hong Kong, March 28, 2023

*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.*