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## **Wisdom Education International Holdings Company Limited**

**光正教育國際控股有限公司**

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

**(Stock code: 6068)**

### **MAJOR AND CONNECTED TRANSACTIONS CASH ADVANCES TO THE AFFECTED ENTITIES**

#### **DISCLOSURE UNDER RULE 13.13 OF THE LISTING RULES**

##### **THE SUBJECT TRANSACTIONS**

During the course of preparing the Group's annual results for the year ended 31 August 2023, a number of cash advances made by the Group to the Affected Entities, namely Guangdong Guangzheng and its subsidiaries, have been identified (together, the "**Subject Transactions**"). The Subject Transactions comprised (i) cash advances intended for the bidding of land; (ii) cash advances relating to construction costs of the Proposed Zhongshan High School; and (iii) cash advances made pursuant to a framework financial assistance agreement.

As a result of the Subject Transactions, the net receivables from the Affected Entities changed from RMB455.8 million as of 31 August 2021 (being the date from which the Affected Entities were deconsolidated from the Group due to the Implementation Regulations) to RMB456.3 million as of 31 August 2023, and RMB529.9 million as of 28 November 2023. Going forward, the Company expects that such net receivables will not increase (and there will be no creation of new receivables due from the Affected Entities), unless the relevant requirements of the Listing Rules are complied with, and such net receivables will be reduced and eventually cleared up by way of utilising such amount by the Affected Entities on the Group's behalf for the construction of the Proposed Zhongshan High School in tranches.

##### **LISTING RULES IMPLICATIONS**

Guangdong Guangzheng is a company beneficially owned as to 62% by Mr. Liu, an executive Director and a controlling shareholder of the Company, and as to 38% by Ms. Li, an executive Director, the Chairperson of the Board and a controlling shareholder of the Company. Accordingly, each of the Affected Entities is a connected person of the Company.

As the Affected Entities were accounted for as wholly-owned subsidiaries of the Company prior to the Deconsolidation, the Subject Transactions, but for the Deconsolidation, would not constitute any transaction of the Company under Chapter 14 or Chapter 14A of the Listing Rules requiring the Company to specifically comply with the applicable requirements under such chapters (other than the requirements applicable to contractual arrangements, which had already complied with by the Company for the Previous Contractual Arrangements). By virtue of the Deconsolidation, the Company notes that the cash advances by a member of the Group to any of the Affected Entities, whether made pursuant to the Previous Loan Agreement or otherwise, would be subject to the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subject Transactions exceeds 25%, the Subject Transactions constitute major transactions of the Company and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Separately, pursuant to Rule 13.13 of the Listing Rules, given that the advances to the Affected Entities as described herein exceed 8% under the assets ratio defined under Rule 14.07(1), the Company is making this announcement pursuant to Rule 13.15 of the Listing Rules.

## **EGM**

The Company will convene an EGM to obtain approval from the Independent Shareholders in respect of the Subject Transactions. Pursuant to the Listing Rules, Mr. Liu, Ms. Li (each a controller shareholder of the Company) and their respective close associates shall abstain from voting on the resolutions at the EGM.

A circular containing, among other things, (i) details of the Subject Transactions; (ii) the advice from the independent financial adviser appointed by the Company; (iii) recommendation of the Independent Board Committee established by the Board; and (iv) a notice of the EGM, will be despatched to the Shareholders on or about 24 January 2023.

## **INTRODUCTION**

During the course of preparing the Group's annual results for the year ended 31 August 2023, a number of cash advances made by the Group to the Affected Entities have been identified (together, the "**Subject Transactions**").

By way of background, as disclosed in the Company’s annual report for the year ended 31 August 2021, the Affected Entities had been deconsolidated from the Group as of 31 August 2021 (the “**Deconsolidation**”) following the issuance of the Implementation Regulations of the PRC on the Law Regarding the Promotion of Private Education (the “**Implementation Regulations**”). Prior to the effectiveness of the Implementation Regulations on 1 September 2021, the Group used to conduct a substantial portion of its business through a series of contractual arrangements (the “**Previous Contractual Arrangements**”) with the Affected Entities, among other parties. The Previous Contractual Arrangements included, among other things, a loan agreement (the “**Previous Loan Agreement**”) pursuant to which a wholly foreign-owned enterprise in the Group, namely Dongguan Ruixing Commercial Services Co., Ltd. (東莞瑞興商務服務有限公司), a wholly-owned subsidiary of the Company (or its designated related party), is entitled to provide interest-free loans to Guangdong Guangzheng or its registered shareholders from time to time in accordance with the PRC laws and regulations for operation purposes.

As the Affected Entities were accounted for as wholly-owned subsidiaries of the Company prior to the Deconsolidation, the Subject Transactions, but for the Deconsolidation, would not constitute any transaction of the Company under Chapter 14 or Chapter 14A of the Listing Rules requiring the Company to specifically comply with the applicable requirements under such chapters (other than the requirements applicable to contractual arrangements, which had already been complied with by the Company for the Previous Contractual Arrangements).

## **THE SUBJECT TRANSACTIONS**

Details of the Subject Transactions are set out as follows:

### **Cash advances relating to land bidding**

During the period from March to April 2023, the Group made total cash advances of approximately RMB268,480,000 to Guangdong Guangzheng which represented funds intended as the purchase price for a parcel of land located in Dongguan (plot no. 2023WG002) taking into account the expected valuation at the time. The Company intended to participate in the bidding for such land for the purpose of constructing a new high school through Guangdong Guangzheng. At the time, the Company intended that, if Guangdong Guangzheng were successful in bidding for such land, the operation of the new high school to be constructed thereon would be controlled by the Group by way of a contractual arrangement (see the August Announcement for a similar arrangement with respect to the Zhongshan High School). The bidding process took place in August 2023, but Guangdong Guangzheng ultimately withdrew from the bid following communication with the local government and also taking into account the market landscape at the time. The full amount of such cash advances had been repaid to the Group as of 31 August 2023.

### **Cash advances relating to construction costs of the Proposed Zhongshan High School**

During the period from March to August 2023, the Company made total cash advances of approximately RMB180,090,000 to Guangdong Guangzheng which represented funds intended for payment of the construction costs of the Proposed Zhongshan High School. The Group has obtained control of the entity which owns the land use right of the Proposed Zhongshan High School on 30 August 2023 through a contractual arrangement, as disclosed in the August Announcement. The Company has estimated that the total investment in the Proposed Zhongshan High School is approximately RMB833 million.

The funds advanced by the Group to Guangdong Guangzheng for such purpose will be applied to pay the relevant contractors for the construction of the Proposed Zhongshan High School (which is expected to take place in tranches shortly).

### **Cash advances pursuant to a framework agreement**

The management of the Company has identified a copy of a framework agreement dated 1 September 2022 entered into between the Company and Guangdong Guangzheng (the “**Framework Agreement**”), pursuant to which the Group and the Affected Entities shall provide interest-free financial assistance to each other upon request. According to the terms of the Framework Agreement:

- (a) the maximum amount of financial assistance provided by one party to the other shall not exceed RMB1,000 million for the year ended 31 August 2023;
- (b) the term of each loan advanced under the Framework Agreement shall be unsecured, interest free and repayable on demand; and
- (c) if a party fails to repay on demand, such party shall be liable to pay a penalty.

The following table sets out a summary of the amount of cash flows between the Group and the Affected Entities under the Framework Agreement, according to the information available to the management of the Company:

<b>Period/Date</b>	<b>Gross cash outflow from the Group during the period RMB'000</b>	<b>Gross cash inflow to the Group during the period RMB'000</b>	<b>Net amount due (to)/ from the Affected Entities as at the end of the period RMB'000</b>
As at 31 August 2022			(67,417) <i>(Note 1, Note 2)</i>
As at 31 August 2022 (Restated)			(67,247) <i>(Note 1, Note 2)</i>
During September 2022 to August 2023	603,619	539,097	(2,725)
As at 31 August 2023			(2,725)
During September 2023	230,478	5,435	222,318
During October 2023	2,000	7,380	216,938
During 1-28 November 2023	441	146,534	70,845
As at 28 November 2023			70,845 <i>(Note 2)</i>

*Note 1:* The Company has also noted there exists a similar framework agreement dated 1 September 2021 entered into between the Company and Guangdong Guangzheng, pursuant to which the Group and the Affected Entities shall provide interest-free financial assistance to each other upon request up to 31 August 2022.

*Note 2:* The balance amount included those trade in nature, collection and advance payment (代收代支) amount and other items.

## **FINANCIAL IMPACT TO THE GROUP**

As disclosed on page 2 of the Company's announcement dated 4 January 2022, barring unforeseeable circumstances and assuming all things remain largely equal, at the time the Company expected that the net receivables from the Affected Entities of RMB455.8 million as of 31 August 2021 would be settled within two years from commencement of the Deconsolidation.

Subsequent to 31 August 2021, there have been cash advances between the Group and the Affected Entities (including that the Affected Entities made cash advances to the Group to reduce certain net receivables at the time). The net receivables due from the Affected Entities as of (i) 31 August 2023 was RMB456.3 million; and (ii) 28 November 2023 was RMB529.9 million. Going forward, the Company expects that such net receivables will not increase (and there will be no creation of new receivables due from the Affected Entities), unless the relevant requirements of the Listing Rules are complied with, and such net receivables will be reduced and eventually cleared up by way of utilising such amount by the Affected Entities on the Group's behalf for the construction of the Proposed Zhongshan High School in tranches, as described in the section headed "The Subject Transactions – Cash advances relating to construction costs of the Proposed Zhongshan High School" above.

## **GENERAL INFORMATION**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is mainly engaged in the provision of school-related supply chain business and comprehensive educational services to its customers in the PRC.

Guangdong Guangzheng is a company beneficially owned as to 62% by Mr. Liu and as to 38% by Ms. Li. Through the Affected Entities, it is principally engaged in the provision of premium primary and secondary education in the PRC.

## **LISTING RULES IMPLICATIONS**

Guangdong Guangzheng is a company beneficially owned as to 62% by Mr. Liu, an executive Director and a controlling shareholder of the Company, and as to 38% by Ms. Li, an executive Director, the Chairperson of the Board and a controlling shareholder of the Company.

As the Affected Entities were accounted for as wholly-owned subsidiaries of the Company prior to the Deconsolidation, the Subject Transactions, but for the Deconsolidation, would not constitute any transaction of the Company under Chapter 14 or Chapter 14A of the Listing Rules requiring the Company to specifically comply with the applicable requirements under such chapters (other than the requirements applicable to contractual arrangements, which had already complied with by the Company for the Previous Contractual Arrangements). By virtue of the Deconsolidation, the Company notes that the cash advances by a member of the Group to any of the Affected Entities, whether made pursuant to the Previous Loan Agreement or otherwise, would be subject to the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Subject Transactions exceeds 25%, the Subject Transactions constitute a major transaction of the Company and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Separately, pursuant to Rule 13.13 of the Listing Rules, given that the advances to the Affected Entities as described herein exceed 8% under the assets ratio defined under Rule 14.07(1), the Company is making this announcement pursuant to Rule 13.15 of the Listing Rules.

## **EGM**

The Company will convene an EGM to obtain approval from the Independent Shareholders in respect of the Subject Transactions. Pursuant to the Listing Rules, Mr. Liu, Ms. Li (each a controller shareholder of the Company) and their respective close associates shall abstain from voting on the resolutions at the EGM.

A circular containing, among other things, (i) details of the Subject Transactions; (ii) the advice from the independent financial adviser appointed by the Company; (iii) recommendation of the Independent Board Committee established by the Board; and (iv) a notice of the EGM, will be despatched to the Shareholders on or about 24 January 2023. If it is expected that there will be a delay to the despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

## **REASONS FOR THE SUBJECT TRANSACTIONS AND MEASURES TO TAKE**

The Company considers that the Subject Transactions and the delay in complying with the requisite requirements under the Listing Rules are due to the Deconsolidation as a result of the Implementation Regulations and the Company being inadvertent in continuing to treat the Subject Transactions as part of the intra-group transactions between wholly-owned subsidiaries of the Company at the time. Taking into account such background, the Directors (other than the independent non-executive Directors whose view will be given after considering the advice of the independent financial adviser to be appointed by the Company) are of the view that, at the time, the Subject Transactions were intended to be conducted as part of the ordinary course of business of the Group on normal commercial terms and on a fair and reasonable basis, and in the interest of the Company and its shareholders as a whole.

The Company has taken the following preliminary remedial measures in respect of the Subject Transactions:

- (a) The Company took steps to terminate the Framework Agreement on 28 November 2023. A substantial amount of RMB146,500,000 had been repaid by Guangdong Guangzheng to the Group as at the date of this announcement.
- (b) The Company also intends to formulate a calculation basis with Guangdong Guangzheng for the interests accrued from the advancements under the Subject Transactions on a fair and reasonable basis, taking into account the prevailing interest rates.
- (c) A special committee of the Company will be established to conduct a review of the internal control procedures of the Group. Members of such special committee include chairperson of the Company, independent non-executive directors, top executives and function heads of the Group.
- (d) The Board has directed the management of the Company to prepare update reports on the operations of the Group by monthly (including an update on the balance of receivables from related parties, if any) and report to the audit committee of the Company.

## DEFINITIONS

Unless otherwise defined herein, capitalised terms used in this announcement shall have the meanings as described below:

“Affected Entities”	Guangdong Guangzheng and its subsidiaries from time to time
“August Announcement”	the announcement of the Company dated 30 August 2023 in relation to the proposed establishment and operation of a high school in Zhongshan
“Board”	the board of Directors
“Company”	Wisdom Education International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Subject Transactions
“Group”	the Company and its subsidiaries
“Guangdong Guangzheng”	Guangdong Guangzheng Educational Group Co., Ltd. (廣東光正教育集團有限公司), a company beneficially owned as to 62% by Mr. Liu and as to 38% by Ms. Li
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders as to whether the Subject Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM to approve the Subject Transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Liu”	Mr. Liu Xuebin, an executive Director and a controlling shareholder of the Company
“Ms. Li”	Ms. Li Suwen, an executive Director, the Chairperson of the Board and a controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Proposed Zhongshan High School”	the high school proposed to be established and operated by Zhongshan Wenrui Education Investment Co., Ltd. (中山市文睿教育投資有限公司), being a subsidiary of the Company by virtue of a contractual arrangement, as disclosed in the August Announcement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Wisdom Education International Holdings Company Limited**  
**Li Jiuchang**  
*Executive Director*

Dongguan, 3 December 2023

*As at the date of this announcement, the Board of the Company comprises three executive directors, namely Ms. Li Suwen, Mr. Liu Xuebin and Mr. Li Jiuchang; and three independent non-executive directors, namely Prof. Sun Kai Lit Cliff, BBS, J.P., Mr. Tam King Ching Kenny and Mr. Huang Weiguo.*