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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)

COMPLETION OF INTERNAL CONTROL REVIEW

Reference is made to the circular of the Company dated 23 February 2024 (the “**Circular**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Circular.

BACKGROUND

As disclosed in the Circular, the Group established a special committee (the “**Special Committee**”) to conduct a Review of the internal control procedures of the Group. Members of such special committee at establishment consisted of Ms. Li Suwen (an executive Director), all the independent non-executive Directors (the “**INEDs**”), and the team head of the finance operation team at the Dongguan headquarters of the Company.

The Company announces that the Special Committee has completed the Review, with a particular focus on the management of connected transactions, including cash advances to the Affected Entities and compliance with Chapter 14A of the Listing Rules, taking into account the Deconsolidation and the implications on the Affected Entities and the Group’s ongoing operations, as described in the Circular.

REVIEW PROCESS

The steps undertaken by the Special Committee and management include:

- reviewed the connected transaction management policy of the Company (the “**Connected Transaction Management Policy**”), the Board and committee records, correspondence with connected parties and confirmation letters;
- conducted sampling tests to verify the implementation of the connected transaction approval process; and

- analyzed the compliance of the Group's existing internal control systems in accordance with the connected transaction requirements of Chapter 14A of the Listing Rules.

FINDINGS ON CURRENT MEASURES

1. Connected Transactions Management System

The Group has established the Connected Transaction Management Policy and related procedures, which provide a framework for the identification, management, and oversight of connected transactions. This policy sets out the scope of connected persons. It further distinguishes between connected transactions and continuing connected transactions, and sets out the various common types of connected transactions that may arise.

The Group requires that the connected transactions should be conducted on fair, just, and open terms. The policy delineates the organizational structure for managing connected transactions, specifying the respective roles of the shareholders, the Board, the audit committee, and the management.

Specific responsibilities are assigned to various departments of the Company, including the human resources and administration center of the Company ("**Human Resources and Administration Center**"), the finance management center of the Company ("**Finance Management Center**"), the compliance office of the Company in Hong Kong ("**Hong Kong Compliance Office**"), and the legal and risk control center of the Company. Each department is tasked with distinct duties to ensure effective implementation and ongoing compliance with the Connected Transaction Management Policy.

2. Identification and Management of Connected Persons

A mechanism is in place for the identification and management of connected persons. The Group has established a system for the compilation, management, and ongoing maintenance of a connected persons register, which is overseen by the Human Resources and Administration Center. This register is updated from time to time to reflect any changes in the status of the connected persons.

To ensure timely and accurate reporting, the Group has also implemented a connected persons reporting mechanism. Connected persons, the Human Resources and Administration Centre and subsidiaries of the Company are required to report any changes in the status of the connected persons within their respective knowledge. An annual confirmation mechanism is also in place, whereby the Hong Kong Compliance Office issues confirmation letters to certain connected persons of the Company each year to verify any changes in their status. The responses are then consolidated, and the register is updated accordingly.

3. Approval Process for Connected Transactions

The connected transaction approval process has been established with several key components. A contract review and countersignature procedure, which requires the initiating department of the Company to make a preliminary assessment, followed by reviews from relevant departments such as the Finance Management Center, a percentage ratios test, and final verification by the Hong Kong Compliance Office, was put in place. The division of decision-making authority is clearly defined among the shareholders, the Board, and the management. Procedures are also in place for exceptional cases, such as transactions exceeding limits, those not included in the original plans of the Company, or those deemed significant by the Board. The connected transaction approval process stipulates and emphasizes the principle of consolidated calculation for connected transactions occurring within a consecutive 12-month period. It further clarifies the simplified approval procedures for connected transactions that meet the exemption conditions, and the specific approval requirements regarding the duration of agreements, decision-making procedures, and disclosure obligations in relation to continuing connected transactions.

4. Reporting and Disclosure Mechanisms

The Group has established an internal mechanism for connected transaction reporting and disclosure. At the core of this mechanism is the Finance Management Center, which is tasked with the preparation of the Company's annual plan for connected transactions. This center also assumes responsibility for the ongoing monitoring of all connected transactions, tracking their actual progress on a monthly basis. By monitoring the aggregate transaction amounts, the Finance Management Center ensures that the total value of continuing connected transactions does not exceed the pre-approved annual caps set by the Company.

To maintain transparency and facilitate oversight, the Finance Management Center compiles monthly reports that summarize the total value of all continuing connected transactions within the Group. These reports are submitted on a quarterly basis to the Hong Kong Compliance Office. Upon receipt, the Hong Kong Compliance Office conducts a review of the reports, examining the compliance of each subsidiary with the relevant requirements. The findings from these reviews are then consolidated into a quarterly report, which is presented to the Company's management to keep them informed of the status and compliance of all connected transactions.

Further, the Group has established an independent review mechanism by the Company's INEDs and external auditors. This annual review serves as a safeguard, ensuring that the Group's connected transactions are properly managed and disclosed in accordance with applicable regulations and internal policies.

RECOMMENDATIONS AND REMEDIAL ACTIONS

1. Training on Connected Transactions and Listing Rules Compliance

Key findings

The Special Committee identified that following the implementation of the Implementation Regulations and the Deconsolidation in 2021, the Group's relationship with the Affected Entities changed significantly. As a result, all cash advances to the Affected Entities after the Deconsolidation are subject to the connected transaction requirements under Chapter 14A of the Listing Rules, among other things. However, the Group did not promptly provide targeted training to finance personnel regarding the new regulatory requirements or their implications.

Although the Connected Transaction Management Policy was in place, finance staff of the Company did not possess sufficient understanding of the Implementation Regulations, the consequent compliance requirements, and internal policy updates, leading to failures in accurate identification, proper documentation, and adherence to the approval procedures for cash advances to Affected Entities. This increased the risk of incomplete identification of connected persons, non-compliant approval processes, and insufficient disclosure, potentially resulting in the risk of non-compliance with the Listing Rules.

Recommendation

The Group should establish a systematic training program for finance personnel and business department heads, with regular sessions covering the definition of connected transactions under the Listing Rules, classification criteria, reporting thresholds, approval procedures, and disclosure obligations. Training should also include practical case studies, methods for identifying connected transactions, an overview of associated risks, and guidance on maintaining proper compliance records to ensure thorough understanding and effective application of the requirements.

Remedial Action

The Group has implemented a connected transaction training plan and engaged professional advisors to conduct specialized training for finance personnel and business department heads in July 2025, ensuring all relevant staff are aware of the applicable regulatory requirements and internal policies. The Company aims that the training will be provided on regular basis, currently expected to be on a quarterly basis, as led and coordinated by the Hong Kong Compliance Office. The Group may also engage external professional parties to provide certain training sessions, which include but not limited to, the Company's Hong Kong legal advisors, financial advisors, other professional advisors and accountants as appropriate.

2. Timely Submission of Connected Transaction Reports

Key findings

The Special Committee noted that, although the Finance Management Center prepared monthly reports on all connected transactions, it did not consistently submit the reports to the Hong Kong Compliance Office for review as required every quarter. This delay hindered the Hong Kong Compliance Office's ability to conduct timely and comprehensive reviews of connected transactions and issue quarterly reports, affecting the overall effectiveness of internal controls and external disclosures.

Recommendation

The Group should reinforce and clarify the deadlines for submitting connected transaction reports, specifying the cut-off dates for the Finance Management Center to provide reports to the Hong Kong Compliance Office. An automated reminder system should be established, and interdepartmental coordination should be strengthened to ensure timely completion of reporting and review processes. Monthly reports should be submitted promptly, with the Hong Kong Compliance Office conducting quarterly reviews.

Remedial Action

The Group has revised its Connected Transaction Management Policy to require the Finance Management Center to submit connected transaction reports to the Hong Kong Compliance Office within 15 working days after each month-end. An automated email reminder system has been implemented, and relevant personnel have received targeted training on the importance of timely reporting and review. A submission record log has been established, and monthly reports are now submitted and reviewed on schedule.

CONCLUSION

Based on the results of the Review, the Special Committee is of the view that the Group has established a sound management system for connected transactions, with policies, identification mechanisms, approval processes, and reporting and disclosure requirements. The issues identified during the Review were primarily related to documentation and timeliness of report submission, which have been rectified.

The Company has, since the Review, introduced accountability and disciplinary measures for future breaches of connected transaction policies or procedures. Any failure to comply with the established internal controls or reporting requirements will be subject to internal investigation, and responsible individuals may face disciplinary action in accordance with the Company's internal policies.

The Special Committee confirms that there are no material internal control deficiencies in the Group's connected transaction management system, and that the current system is adequate to support business development and compliance management needs. The Group will continue to strengthen its internal controls to ensure comprehensive monitoring and timely disclosure of connected transactions and to protect the interests of the Company and its shareholders.

By Order of the Board
Wisdom Education International Holdings Company Limited
Li Suwen
Chairperson

Dongguan, 22 July 2025

As at the date of this announcement, the Board 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. Poon Ha Fung and Mr. Huang Weigao.