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China General Education Group Limited

中国通才教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2175)

CHANGE OF AUDITOR

This announcement is made by China General Education Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 29 November 2022 and 16 December 2022, in relation to the delay in publication of annual results for the year ended 31 August 2022 (the “**2022 Annual Results**”) and the 2022 annual report, the announcement of the Company dated 10 January 2023 in relation to the resumption guidance (the “**Resumption Guidance**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the announcements of the Company dated 28 February 2023 and 25 May 2023, in relation to the quarterly update on the resumption progress and the delay in publication of the 2023 Interim Results and the 2023 Interim Report (the “**Announcements**”), the announcement of the Company dated 7 July 2023 in relation to the update on the independent investigation and the announcement of the Company dated 25 August 2023 in relation to the quarterly update on the resumption progress. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

RESIGNATION OF AUDITOR

The board of directors of the Company (the “**Board**”) hereby announces that the Board, through the audit committee of the Board, requested Ernst & Young (“**EY**”) to resign as the auditor of the Company having considered the imminent need for completing the audit work of the 2022 Annual Results and the associated costs of the Company. Following such communications, EY has resigned as the auditor of the Company with effect from 1 September 2023.

In its resignation letter to the audit committee and the Board dated 1 September 2023, EY set out the matters that need to be brought to the attention of the shareholders or creditors of the Company which are set out below.

(1) Inability to reach an agreement with the Company on the proposed scope of EY's involvement in the work performed by the Company's investigation specialists

During the course of EY's audit of the Company's 2022 Annual Results, EY noted that the Company had received the Allegations. EY immediately requested for a meeting with management and the audit committee of the Company to understand and discuss the Allegations. During such meeting held on 28 November 2022, EY requested the Company to engage an investigation specialist to conduct the Investigation in response to the Allegations. EY suspended its audit pending the completion and outcome of the Investigation. However, it did not receive any responses from the Company on its request until 20 January 2023, when the Company arranged a meeting for EY to meet with the audit committee of the Company and the management's proposed investigation specialist to discuss the preliminary scope and work plan of the Investigation.

EY stated that subsequently, it had not been able to obtain any direct updates from management until it read the Company's announcement dated 28 February 2023, that the investigation specialist was formally engaged and since then, it had been proactively requesting the directors of the Company via various meetings and email communications to (i) provide it the scope, progress, and outcome, if any, of the Investigation, and (ii) discuss the scope of its involvement in the work performed by the Company's investigation specialists. EY also requested management for direct access to the Company's investigation specialist and to provide it all the correspondences in relation to the Allegations between the Company and the Stock Exchange. However, notwithstanding its repeated requests and communications, up to the date of its resignation letter, EY was yet to be provided the requested information and access to the Company's investigation specialists. Accordingly, EY was unable to plan nor determine the nature, timing and extent of additional audit procedures in relation to the Allegations.

(2) Issues identified prior to the suspension of EY's audit

Prior to the suspension of its audit in November 2022, EY identified certain significant issues pending management responses and provision of documentary evidence. These issues included:

(i) Impairment assessment of an investment

Included in the unaudited management accounts for the year ended 31 August 2022, the Company recorded an investment of approximately RMB49 million representing an investment fund that is managed by an investment manager and directors registered with the Hong Kong Securities and Futures Commission. Pursuant to the terms as set out in the respective agreement, the Company can redeem the investment in full on or after 31 January 2022. On 28 February 2022, the Company issued a redemption notice to the fund administrator to request for the full redemption of this investment. However, due to the lack of formal responses therefrom, the Company was not able to execute the redemption. On 8 September 2022, the Company initiated a legal proceeding in Hong Kong to claim the full investment amount. Subsequently, during the period from September to November 2022, the Company received partial settlements amounting to approximately RMB15 million. Other than the foregoing, EY had not been provided with any other documentary evidence to support the recoverability of this investment, hence, EY was unable to complete its assessment on the impairment of this investment as at 31 August 2022.

(ii) Prepayments for services fees in relation to potential acquisitions

During the year ended 31 August 2022, the Group paid service fees to two entities which amounted to approximately RMB32 million and recorded these payments as prepayments. As set out in the respective agreements, these entities were engaged to assist the Group to seek potential acquisition targets in the education industry. Apart from the agreements, EY had not yet been provided any explanations from management to substantiate the commercial substance and business rationale of these payments.

(iii) Advance to a related party

During March 2022, the Group advanced RMB10 million to a related party which was controlled by an executive director and shareholder of the Company. EY had not been provided any documentary evidence nor further explanations from management to substantiate the commercial substance and business rationale of this transaction.

EY further stated that it had communicated the above matters with management and the audit committee of the Company in November 2022, prior to the suspension of its audit and since such meeting, it had requested updates from management on these outstanding issues, to which it received no substantial updates until it was notified by management of their intention to change auditor in July 2023.

EY stated in its resignation letter that, the above matters are disclosed based on the best of its knowledge as of November 2022 when it suspended the audit, as it had not obtained a timely update from the Company's directors for more than ten months since November 2022 and accordingly, there may be other matters that it is not aware of which may need to be brought to the attention of the shareholders or creditors of the Company in relation to the change of the auditor of the Company.

APPOINTMENT OF AUDITOR

The Board further announces that it has resolved, with the recommendation of the audit committee of the Board, to appoint Moore Stephens CPA Limited as the new auditor of the Company with effect after Moore Stephens CPA Limited completes its internal procedures for such appointment to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next annual general meeting of the Company.

The Company will make further announcements with respect to the publication of (i) 2022 Annual Results and the 2022 annual report and (ii) the 2023 Interim Results and the 2023 Interim Report in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 29 November 2022 and is currently expected to remain suspended until the Company fulfills the Resumption Guidance.

By order of the Board
China General Education Group Limited
NIU Sanping
Chairman

Hong Kong, 7 September 2023

As at the date of this announcement, the executive directors are Mr. Niu Sanping, Mr. Niu Jian, Mr. Niu Xiaojun and Ms. Zhang Zhonghua; and the independent non-executive directors are Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Wong Chi Wah.