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**21世紀教育**  
21ST CENTURY EDUCATION

**China 21st Century Education Group Limited**

**中國21世紀教育集團有限公司**

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

**(Stock Code: 1598)**

## **SUPPLEMENTAL ANNOUNCEMENT ON CHANGE OF AUDITOR**

Reference is made to the announcement of the Company dated 24 November 2023 in relation to the change of auditor of the Company (the “**Announcement**”). Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meanings as those defined in the **Announcement**.

Further supplement to the disclosure in the **Announcement** that Ernst & Young (“**Ernst & Young**”) raised such Matter in relation to certain group loans. Based on the capital requirement for its daily operation and business development, the Company has entered into loan agreements with certain banks from March 2022 to present. As the Company took into account the administrative costs, operational efficiency and business plan required when applying for the Loans, it entered into purchase contracts with the relevant vendors based on its business plan at that time and applied for the Loans from the banks. Due to changes in business plan as a result of the pandemic, the relevant vendors returned part of the amounts without charging interest at the Company’s request. The outstanding loan balance of the loan agreements involving terms related to entrusted payment amounted to RMB736 million, of which the amount involving the return of payment made was RMB521 million. Subsequently, when the procurement transactions occurred, the Company paid the relevant purchase amounts to the vendors where the transactions actually took place (the “**Arrangement**”). The vendors involved in the return of payment made confirmed that they did not, and were not intend to, make any claims against the Company. The directors of the Company confirmed that the return of payment made was subsequently used for the construction and renovation of the Company’s campuses, procurement of teaching facilities and equipment, etc. and daily operations.

As advised by the Company's PRC legal adviser, the persons in charge of the relevant banks confirmed to the Company's PRC legal adviser during the interview that they were aware of the Arrangement, and confirmed that the Company's PRC Operating Entity(ies) repaid the loans on time and there was no overdue repayment nor non-payment of the loans. They have also confirmed that they will not require the Company to repay the Loans in advance, stop granting the loans and recover the loans as a result of the Arrangement. At the same time, the Company has obtained an intentional financing credit line of RMB500 million, which will be used as cash flow for the Company's general daily operations. To the best of the directors' knowledge, information and belief, having made all reasonable inquiries, together with the Company's ordinary operating revenue, the cash flow position of the Company is sufficient to meet the requirements of the Company's ordinary operations and business.

After Ernst & Young's referral of the Matter to the Audit Committee, the Audit Committee has discussed the Matter with the Company. The discussions include: (1) advise the Company to seek advice from its PRC legal adviser and assess the risks in relation to the Arrangement; (2) communicate with the relevant banks in respect of the Arrangement to understand whether the Arrangement will result in the banks requesting for early repayment of the Loans by the Company; and (3) request the Company to further clarify the relationship between the Company and the relevant vendors and the actual use of the Loans.

Ernst & Young has proposed an increase in the audit fee based on the additional audit procedures to be performed in relation to the Matter and the business growth of the Company. The directors of the Company considered that the increase in the audit fee of Ernst & Young was excessive, and the Audit Committee agreed with the proposal from the management of the Company to get quotation from other auditors based on cost control considerations. The directors of the Company confirmed that the quotation from ZHONGHUI ANDA is lower than the fees quoted by Ernst & Young and another auditor, and its proposed quotation and audit plan have taken into account and covered the additional audit procedures involved in the Arrangement. Meanwhile, ZHONGHUI ANDA has extensive experience in auditing education companies listed on the Stock Exchange. Therefore, after careful consideration by the Board and the Audit Committee, it is considered that the quotation of ZHONGHUI ANDA is more reasonable.

All other information contained in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board  
**China 21st Century Education Group Limited**  
**Li Yasheng**  
*Chairman*

Hong Kong, 19 December 2023

*As at the date of this announcement, the chairman of the Board and the non-executive director is Mr. Li Yasheng; the executive directors are Ms. Liu Hongwei, Mr. Ren Caiyin and Ms. Yang Li; and the independent non-executive directors are Mr. Guo Litian, Mr. Yao Zhijun and Mr. Wan Joseph Jason.*