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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)**

### **FURTHER ANNOUNCEMENT IN RELATION TO KEY FINDINGS OF INDEPENDENT INVESTIGATION**

This announcement is made by China General Education Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 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 and the 2022 annual report, the announcement of the Company dated 10 January 2023 in relation to the resumption guidance (the “**Initial 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, the announcement of the Company dated 7 July 2023 in relation to the update on the independent investigation, the announcement of the Company dated 25 August 2023 in relation to the quarterly update on the resumption progress, the announcement of the Company dated 7 September 2023 in relation to the change of auditor, the further announcement of the Company dated 25 September 2023 in relation to the change of auditor, the announcement of the Company dated 7 November 2023 in relation to the Stock Exchange’s additional resumption guidance (together with the Initial Resumption Guidance, the “**Resumption Guidance**”), the announcement of the Company dated 27 November 2023 in relation to the quarterly update on the resumption progress and delay in publication of the annual results for the year ended 31 August 2023 and the 2023 annual report and the announcement of the Company dated 5 February 2024 in relation to the key findings of independent investigation and internal control review (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

## FURTHER DETAILS ON THE KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

The Company would like to provide further details on the key findings of the Investigation, which are summarized below.

Pursuant to the Investment Agreement, the Third Party agreed to subscribe for the Company's shares through the IPO in the amount of US\$13 million and the Company agreed to subscribe for investment products designated by the Third Party in the amount of HK\$60 million and provide a deposit of HK\$25 million in the form of a loan to the Payee as designated by the Third Party which was repayable after the listing date of the Company.

On 7 July 2021, Shanxi Technology and Business College entered into the Loan Agreement with the Payee, pursuant to which Shanxi Technology and Business College transferred an amount of RMB21 million to the Payee. The Payee repaid a total of RMB17 million to Shanxi Technology and Business College in August and September 2021 and as of the date of the Investigation Report, RMB4 million is still outstanding.

On 28 July 2021, the Company subscribed for the Fund units with an amount of US\$7.7 million. As of the date of the Investigation Report, the Company had received a total of US\$2.741 million as the proceeds from the redemption.

Please refer to the Announcement for details of the investigation conducted by the Investigation Specialists to confirm whether the Investment Agreement has been rescinded and whether the rights and obligations of each party in the Investment Agreement have been performed.

To confirm whether the Company and its subsidiaries perform the Investment Agreement through transactions with other companies, the Investigation Specialists conducted the following work:

- conducted forensic analysis of the Group's non-operating income and expenditures and funds transfers during the Investigation Period to confirm whether they were related to the Investment Agreement or the Company's IPO, focusing on, among others, (i) substantial amount to third party intermediaries or individuals, such as consultation fees, advisory fees, promotion and marketing fees, (ii) substantial loans to third party corporations or individuals before the Company's listing on the Stock Exchange, (iii) other expenses or substantial prepayments with long aging periods without sufficient supporting documents or commercial substance; and
- combined with electronic forensics, background checks and other work, cross-verified whether the abnormal income and expenditure or fund transactions discovered above are related to the performance of the Investment Agreement or the Company's IPO.

The Investigation Specialists find that the Company made substantial payments to five third parties or intermediaries amounting to approximately HK\$111 million before and after the Company's IPO.

## **Consultation fees to Party A**

The Investigation Specialists find that the Company made four payments of a total of HK\$13.3 million to an independent third party (“**Party A**”) pursuant to two services agreements entered into with Party A in July 2021 and January 2022, respectively. Party A provided services including but not limited to maintenance of investor relations and introduction of potential acquisition targets, to the Company.

The Investigation Specialists reviewed the supporting documents, including the detailed list of the consultation services provided by Party A, travel records of the representative of Party A and the underlying documents for the potential acquisition targets introduced by Party A to the Company, interviewed the representative of Party A, conducted background search on Party A and its shareholders and senior management which did not show any direct relationship between them and the Third Party and its related parties, checked the name of Party A and its related parties against the 10 investors in the places list that the Investigation Specialists could identify the name, matched the timelines and the agreed amounts of the Company’s IPO and the Investment Agreement and conducted electronic forensic analysis. Based on the above work, the Investigation Specialists conclude that the consultation fees to Party A do not appear to be related to the performance of the Investment Agreement or the Company’s IPO.

## **Cooperation authorization fees to Party B and a loan to Party D**

The Investigation Specialists find that the Company paid a total of RMB7.2 million to an independent third party (“**Party B**”) as authorization fees in January 2022 and April 2022, pursuant to a triple cooperation agreement entered into with Party B and another independent third party (“**Party C**”) for Chinese language examinations project. The Company also entered into a cooperation agreement with Party C for the operation of the project, pursuant to which a company (“**Party D**”) would be established to operate the project and the Company would be responsible for providing capital and Party C would be responsible for operating the project. As the initial operation fees, the Company provided a loan of RMB10 million to Party D in March 2022 for one year. As there were disputes with Party C and the parties could not reach consensus after continuous negotiation, the project was formally terminated in January 2023. As of the date of this announcement, the Company indirectly held 19% equity interest in Party D with the remaining 81% equity interest held by an independent third party and as Party D does not have sufficient capital to repay the loan upon its expiration, the Company agreed to extend the loan for one year until March 2024.

The Investigation Specialists reviewed the relevant agreements, conducted background search on Party B which did not show any direct relationship between Party B and the Third Party and its related parties, checked Party B, Party D and the related parties against the 10 investors in the places list that the Investigation Specialists could identify the name, matched the timelines and the agreed amounts of the Company’s IPO and the Investment Agreement and conducted electronic forensic analysis and conclude that the cooperation authorization fees do not appear to be related to the performance of the Investment Agreement or the Company’s IPO.

## **Deposit to Party E**

The Investigation Specialists find that the Company made a payment of HK\$30 million to an independent third party (“**Party E**”) as a deposit for an individual intermediary to introduce potential acquisition targets to the Company in April 2022.

The Investigation Specialists reviewed the relevant agreement, conducted background search on Party E and the individual intermediary which did not show any direct relationship between Party E and the individual intermediary and the Third Party and its related parties, checked the individual intermediary, Party E and the related parties against the 10 investors in the placees list that the Investigation Specialists could identify the name, matched the timelines and the agreed amounts of the Company’s IPO and the Investment Agreement and conducted electronic forensic analysis. The Investigation Specialists noticed that as the cooperation was not proceeded, such deposit had already been repaid to the Company in February 2023 and conclude that the deposit does not appear to be related to the performance of the Investment Agreement or the Company’s IPO.

## **Loans to an individual**

The Investigation Specialists find that the Company provided a loan of RMB10 million on 7 July 2021 and a loan of HK\$28 million on 22 December 2021 to an individual who is a friend of Mr. Niu Jian, the Company’s executive Director, for short-term capital needs of such individual and the first loan was repaid by such individual on 19, 20 and 21 July 2021 and the second loan was repaid on 31 January 2022. The individual is one of the investors in the placees list. Although the first loan is close to the Company’s IPO, considering that there is big difference between the amount of the loan and the subscription amount of the individual and the individual is not related to the Third Party and its related parties, the Investigation Specialists conclude that the loans to the individual do not appear to be related to the performance of the Investment Agreement.

## **VIEWS OF THE INDEPENDENT INVESTIGATION COMMITTEE AND THE BOARD**

In relation to the findings of the Independent Specialists in respect of the transactions as disclosed above, the Independent Investigation Committee considers that the Independent Specialists have conducted a thorough review of the relevant transactions, which include (but are not limited to) forensic analysis, background checks, and a comprehensive review of the associated agreements and payments. On this basis, the Independent Investigation Committee has accepted the relevant findings and concluded that the transactions in question do not appear to be related to the performance of the Investment Agreement or the Company’s IPO, and there were no findings of misconduct related to these transactions.

The Board, having considered the relevant findings and the views of the Independent Investigation Committee, concurs with the findings and is satisfied that the transactions examined by the Investigation Specialists, including payments to third parties and loans to individuals, do not appear to be related to the Investment Agreement or the Company's IPO. The Board will continue to monitor the ongoing compliance with the Company's enhanced internal controls and procedures to ensure that all aspects of the Company's operations meet the necessary standards of conduct and integrity. The Company will also continue to improve its governance structures and risk management processes to prevent similar occurrences in the future.

### **VIEWS OF THE INDEPENDENT INVESTIGATION COMMITTEE ON COMPLIANCE WITH RULES 3.08 AND 3.09 OF THE LISTING RULES**

As at the date of this announcement, the Board comprises the executive Directors, Mr. Niu Sanping, Mr. Niu Jian, Mr. Niu Xiaojun and Ms. Zhang Zhonghua and the independent non-executive Directors, Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Wong Chi Wah. To the best of their knowledge, information and belief having made all reasonable enquiries, the Independent Investigation Committee considers that notwithstanding the investigation findings and the deficiencies identified in the internal control review, the Directors of the Company remain suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules for the reasons set out below:

- (a) based on the findings of the Investigation Specialists, apart from Mr. Niu Sanping, all the other Directors of the Company had not been involved in and had very limited knowledge of the issues under the Investigation;
- (b) the findings and deficiencies identified did not involve any dishonestly, fraudulent or integrity issue on the part of any of the Company's Directors;
- (c) there has been no previous violation of the Listing Rules by any of the Company's Directors;
- (d) all the Company's Directors have undergone and completed the training on, among others, Listing Rules compliance, director's duties and corporate governance matters on 22 February 2024; and
- (e) the Company's Directors, with education background, their professional/industry experience and in-depth knowledge of the Group, have provided valuable contributions to the Company throughout their tenure.

On the above basis, the Independent Investigation Committee is of the view that the Company's Directors have the character, experience and integrity and are able to demonstrate a standard of competence and meet the required levels of skill, care and diligence to discharge his/her fiduciary duties as a Director as required under Rules 3.08 and 3.09 of the Listing Rules.

## **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.

The Company will publish further announcement(s) to keep its shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

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

Hong Kong, 23 February 2024

*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.*