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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)

FULFILMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

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 (the “**2022 Annual Results**”) and the annual report (the “**2022 Annual Report**”), the announcement of the Company dated 10 January 2023 in relation to the resumption guidance issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the announcement of the Company dated 28 February 2023 in relation to the quarterly update on the resumption progress, the announcement of the Company dated 25 May 2023 in relation to the quarterly update on the resumption progress and delay in publication of the interim results for the six months ended 28 February 2023 (the “**2023 Interim Results**”) and the interim report (the “**2023 Interim Report**”), 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 announcements of the Company dated 7 September 2023 and 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, 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 (the “**2023 Annual Results**”) and the annual report (the “**2023 Annual Report**”), the announcements of the Company dated 5 February 2024 and 23 February 2024 in relation to the key findings of independent investigation and internal control review, the announcement of the Company dated 27 February 2024 in relation to the quarterly update on the resumption progress, the announcement of the Company dated 30 April 2024 in relation to the delay in publication of interim results for the six months ended 29 February 2024 (the “**2024 Interim Results**”) and the interim report (the “**2024 Interim Report**”), the announcement of the Company dated 27 May 2024 in relation to the resignation of executive directors, the announcements of the Company dated 10

June 2024 and 19 June 2024 in relation to the 2022 Annual Results, 2023 Interim Results, 2023 Annual Results, 2024 Interim Results, the 2022 Annual Report and 2023 Interim Report published on 10 June 2024 and the 2023 Annual Report and the 2024 Interim Report published on 19 June 2024.

BACKGROUND

As disclosed in the announcement of the Company dated 16 December 2022, the Company received allegations with respect to the Company's initial public offering subscription and the use of proceeds from the Company's initial public offering (the "**Allegations**"). According to the Allegations, the Company entered into an investment agreement (the "**Investment Agreement**") with a third party (the "**Third Party**") for the subscription of the Company's shares by the Third Party during the Company's IPO. Considering the engagement of specialists to conduct an investigation into the Allegations and the time required to complete such investigation, the Company could not publish the 2022 Annual Results in accordance with the Listing Rules and therefore the trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 29 November 2022 (the "**Suspension**").

An independent investigation committee (the "**Independent Investigation Committee**"), comprising all three independent non-executive directors, namely Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Wong Chi Wah, was then established to take lead on an independent investigation into the Allegations and the Independent Investigation Committee engaged one of the international accounting firms as the investigation specialists (the "**Investigation Specialists**") to conduct the investigation on 27 February 2023.

RESUMPTION GUIDANCE

The Company received the initial resumption guidance from the Stock Exchange on 10 January 2023 and the additional resumption guidance on 3 November 2023 (collectively, the "**Resumption Guidance**"). Details of the requirements set out in the Resumption Guidance are as follow:

- (a) conduct an appropriate independent investigation into the Allegations, announce the findings and take appropriate remedial actions ("**Resumption Guidance (1)**");
- (b) publish all outstanding financial results required under the Listing Rules and address any audit modifications ("**Resumption Guidance (2)**");
- (c) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules ("**Resumption Guidance (3)**");
- (d) announce all material information for the Company's shareholders and investors to appraise its position ("**Resumption Guidance (4)**"); and
- (e) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meeting the obligations under the Listing Rules ("**Resumption Guidance (5)**").

FULFILMENT OF RESUMPTION GUIDANCE

The board of directors of the Company (the “**Board**”) is pleased to announce that, as at the date of this announcement, the Company has fulfilled the requirements under the Resumption Guidance. The following set out the details of the fulfilment of the Resumption Guidance:

1. **Resumption Guidance (1) – conduct an appropriate independent investigation into the Allegations, announce the findings and take appropriate remedial actions**

The Investigation Specialists conducted an independent investigation (the “**Investigation**”) on the Allegations and such Investigation covered the period from 1 April 2021 to 30 November 2022 (the “**Investigation Period**”). On 14 September 2023, the Investigation Specialists have provided the report on the Investigation (the “**Investigation Report**”) to the Independent Investigation Committee. The Company published the findings of the Investigation Report on 5 February 2024 and 23 February 2024.

Key Investigation Procedures

The key investigation procedures conducted by the Investigation Specialists mainly consist of the following:

- (i) **documents review** – (a) obtained and reviewed documents including but not limited to the Company’s corporate structure, memorandum of association and articles of association, internal control policies and fee rate document; (b) obtained and reviewed the Investment Agreement, agreements for private funds investments, loan agreement, litigation-related documents, placees list and relevant board resolutions; (c) obtained and reviewed the approval for chop use application and the record for chop use during the Investigation Period;
- (ii) **interview** – (a) conducted interviews with the managers of the Company and the relevant personnel to learn the details of the Company’s IPO and the matters as mentioned in the Allegations; and (b) conducted interviews with third parties to learn the background and details for the entry into the Investment Agreement;
- (iii) **sample check** – (a) checked the financial ledger and bank statements of the Group during the Investigation Period and conducted analysis; and (b) conducted sample checks on those payment records with high risks and reviewed the relevant supporting documents;
- (iv) **onsite visit** – conducted onsite visit of Shanxi Technology and Business College to learn its business model and operation;
- (v) **data analysis** – (a) conducted data analysis on the financial data and capital flow records during the Investigation Period; and (b) conducted data analysis on external information, including but not limited to announcements published by the Company and data disclosed in the Company’s prospectus;

- (vi) **background check** – (a) conducted background search and public information search on the relevant companies and individuals as mentioned in the Company’s IPO places list, Investment Agreement, Loan Agreement (as defined below) and financial management agreements; (b) conducted background search and public information search on the payees of unusual payments identified during the sample check; and (c) checked name of the relevant individuals and third parties learned by the Investigation Specialists against the Company’s IPO places list for consistency; and
- (vii) **electronic forensics** – extracted data from the work computer of two former executive directors of the Company and the securities manager responsible for the Company’s IPO and conducted forensic review of the documents identified using the keyword search.

Entry of the Investment Agreement

The Investigation Specialists find that on 7 July 2021, Mr. Niu Sanping signed the Investment Agreement on behalf of the Company with the Third Party which was rescinded prior to the Company’s listing after learning that entering into the Investment Agreement during the Company’s IPO is a violation of laws and regulations. Based on the interview with Mr. Niu Sanping, except for him, none of the other directors of the Company was informed and aware of the entry into and rescission of the Investment Agreement. The Company did not conduct due diligence but only a basic search on the Third Party. As the Investment Agreement was entered into before the Company’s listing, its entry did not follow the internal approval procedures for review and use of chop.

Investigation on the Performance of the Investment Agreement

The Investigation Specialists analyzed the terms of the Investment Agreement and conducted investigation on whether the rights and obligations of each party in the Investment Agreement had been performed to confirm whether the Investment Agreement has been rescinded. The major terms of the Investment Agreement include, among others,

- (i) the Company agreed to subscribe for investment products designated by the Third Party in the amount of HK\$60 million but would not be entitled to any investment return which should be owned by the Third Party;
- (ii) the Third Party agreed to subscribe for the Company’s shares through the IPO in the amount of US\$13 million and the Third Party must not sell the shares for the first 180 days after listing (the “**Lock-Up Period**”). During the Lock-Up Period, the Third Party shall disclose the details of the shares held by it to the Company. After the expiry of the Lock-Up Period, the Third Party may dispose of the shares within the next 180 days (the “**Transfer Period**”) and the Company was entitled to the net disposal proceeds (the “**Third Party’s Subscription**”);

- (iii) the Company agreed to pay the Third Party an amount equivalent to 6% of the amount of its subscription of the Company's shares in light of its capital costs and exchange losses (the "**Expenses**") within four or five business days after the Company's listing on the Stock Exchange and to provide a deposit of HK\$25 million in the form of a loan to the payee (the "**Payee**") as designated by the Third Party which was repayable after the listing date of the Company (the "**Loan**"); and
- (iv) the Company agreed to pay a guaranteed annualized return (the "**Interests**") to the Third Party during the Lock-Up Period and the Transfer Period and compensate the Third Party for any shortfall between the value of the Third Party's Subscription and the value of the investment products subscribed by the Company. The Company is entitled to any proceeds (the "**Proceeds**") when the selling prices of the shares exceed the subscription price of the Third Party. If the Third Party holds any shares of the Company in the 30 days before the expiry of the Transfer Period (the "**Investment Settlement Period**"), the Company shall designate a party to repurchase the shares held by the Third Party and pay any difference (the "**Guaranteed Difference**") between the Third Party's subscription price and the repurchase price and the expenses incurred by the Third Party for such disposal.

(1) *The Fund Investment*

On 28 July 2021, the Company subscribed for the fund (the "**Fund**") as introduced by the representative of the Third Party with an amount of US\$7.7 million (the "**Fund Investment**"). Although the Investment Agreement had been rescinded at that time, the Company still decided to make the Fund Investment considering of increasing the return rate of the Company's idle cash. The Company only conducted basic due diligence on the Fund and its investment manager and did not consider any other investments or investment products. The then executive directors of the Company held two meetings on 5 July 2021 and 22 July 2021, respectively, to discuss the Fund Investment and finally approved such investment. With respect to the accounting treatment of the investment return, the Investigation Specialists find that the Company included the investment income in the item of "trading financial assets – profit and losses from changes in fair value" and the management fees in the item of "accounts payable" based on the net value of the Fund units held by the Company as sent by the Fund every month. In addition, the Investigation Specialists did not find the Company subsequently transferred the investment income to payable or other accounting items during the Investigation Period. The Company requested the redemption of the Fund Investment on 28 February 2022 and the Fund agreed to repay the redemption proceeds of approximately US\$6.98 million. The redemption proceeds were repaid to the Company by the Fund by installment and as of the date of this announcement, the Company had received all those redemption proceeds as agreed to be repaid by the Fund. The current loss of the Fund Investment is approximately US\$0.72 million.

The Investigation Specialists did not find (i) any direct evidence showing that there is any relationship between (a) the Fund and the then investment manager of the Fund and (b) the Third Party and the Payee; (ii) the Fund, its then investment manager, the Payee and their respective directors, supervisors and senior manager subscribed for the Company's shares under the international offering of the Company's global offering; and (iii) the Company paid any amount to the investors as listed on the placees list obtained by the Company.

(2) *Third Party's Subscription*

The Investigations Specialists checked the placees list obtained by the Company, conducted due diligence on 10 investors (including Mr. Chen Xi) that they could identify the name and cross-checked the 10 investor names with the payee/payers in capital flow records of the Company during the Investigation Period. None of the 10 investor names (including its directors, supervisors and senior management of the corporate investors) matches the name of the Third Party, the Fund, its then investment manager and the Payee, as well as the payees/payers in cash flow records of the Group during the Investigation Period. Due to insufficient information, the Investigation Specialists could not identify the name of the other 16 investors in the placees list who were allotted shares of the Company.

In addition, the Investigation Specialists did not find direct evidence indicating that the Third Party disclosed the details of any shares to the Company during the Lock-Up Period and disposed any shares of the Company pursuant to the Investment Agreement.

(3) *Expenses and Loan*

The Investigation Specialists checked the Group's accounts and capital flow records and did not find direct evidence showing that the Company paid the Expenses to the Third Party before 21 July 2021 pursuant to the Investment Agreement.

The Investigation Specialists find that Shanxi Technology and Business College (the "**College**"), one of the Company's subsidiaries, entered into a loan agreement (the "**Loan Agreement**") with the Payee and transferred RMB21 million to the Payee. The Loan was made before the rescission of the Investment Agreement. The Company did not conduct due diligence but only a basic search on the Payee before transferring RMB21 million to the Payee. Based on the understanding of Mr. Niu Sanping, the loan is a deposit to lock up the subscription units for the Fund Investment and on 5 July 2021, the then executive directors of the Company held a meeting to discuss the Fund Investment and approved the payment of a deposit for the Fund Investment. The Payee repaid a total of RMB17 million in August and September 2021. As the Payee had not repaid the remaining amount by July 2022, the College filed a civil litigation against the Payee and obtained court judgments against the Payee for the outstanding amount and the corresponding interest in July 2023. As of the date of this announcement, RMB4 million and the corresponding interest are still outstanding.

(4) Interests, Proceeds and Guaranteed Difference

The Investigation Specialists checked the Group's accounts and capital flow records and did not find direct evidence showing that (i) the Company paid the Interests to the Third Party or its related parties during the Investigation Period or paid the Guaranteed Difference to the Third Party or its related parties during the Investment Settlement Period and (ii) the Third Party paid any amount as the Proceeds to the Company.

Transactions with others

To confirm whether the Company and its subsidiaries perform the Investment Agreement through transactions with other companies, the Investigation Specialists conducted forensic analysis of the Group's non-operating income and expenditures and fund 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 paid to third party intermediaries or individuals, such as consultation fees, advisory fees, promotion and marketing fees, (ii) substantial loans provided 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.

(1) 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 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. 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.

(2) *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. Party D repaid the loan of RMB10 million in June 2024 after the Company agreed to extend the loan upon its expiration.

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 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 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.

(3) *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.

(4) 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 Mr. Chen Xi, who is a friend of Mr. Niu Jian, the Company's former executive director, for his short-term capital needs and the first loan was repaid on 19, 20 and 21 July 2021 and the second loan was repaid on 31 January 2022. As Mr. Chen Xi is a friend of Mr. Niu Jian, no due diligence was conducted on him before granting the loans to him. The first loan was approved by Mr. Niu Sanping and the second loan was approved by Mr. Niu Jian and acknowledged by Mr. Niu Sanping afterwards. Mr. Chen Xi 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 Mr. Chen Xi and Mr. Chen Xi is not related to the Third Party and its related parties, the Investigation Specialists conclude that the loans to Mr. Chen Xi do not appear to be related to the performance of the Investment Agreement.

View of the Independent Investigation Committee and the Board

The Independent Investigation Committee has reviewed the Investigation Report and accepted the key findings of the Investigation. The Independent Investigation Committee is of the view that having taken into account the practicable limitations,

- (i) the content and the findings of the Investigation Report are reasonable and acceptable;
- (ii) the Investment Agreement has been rescinded on 13 July 2021;
- (iii) no intentional fraud or dishonesty on the part of any director or senior management of the Company was identified which may pose a risk to the shareholders and potential investors or damage market confidence in connection with the Investment Agreement;
- (iv) the findings of the Investigation reveal problems or deficiencies in the Company's internal control which may result in non-compliance in certain matters and the Company should pay attention on the inspection of its internal control processes and then improve the internal controls based on such inspection results; and
- (v) the transactions in question as identified by the Investigation Specialists 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 considering that the Investigation 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.

The Independent Investigation Committee also provided various recommendations to the Board.

The Board has reviewed the Investigation Report and concurs with the Independent Investigation Committee that no intentional fraud or dishonesty on the part of any current or former director or senior management of the Company was identified. The Board has fully adopted the recommendations of the Independent Investigation Committee and is of the view that:

- (i) none of the Company's senior management or any person with significant influence on the Company's management and operations has integrity issue which would draw the attention of the Independent Investigation Committee, regulatory authorities or shareholders of the Company;
- (ii) the Company is confident that the rectified and enhanced internal control measures of the Company are sufficient and effective in fulfilling the Company's obligations and protecting the interests of the Company and its shareholders and are in compliance with the Listing Rules;
- (iii) the Company is fully aware of the importance of maintaining the trust and confidence of shareholders, regulatory authorities and other stakeholders and the Company will ensure high standards in transparency and compliance in all respects; and
- (iv) 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.

For further details on the Independent Investigation Committee's recommendations, please refer to the announcements of the Company dated 5 February 2024 and 23 February 2024.

In response to Resumption Guidance (5) and the recommendations of the Independent Investigation Committee, the Company engaged PAL Advisory Limited (上邦永晉諮詢有限公司) (formerly known as Prism Advisory Limited (上會永晉諮詢有限公司)) as the internal control consultant (the "**Internal Control Consultant**") to review the Company's internal controls and procedures and the Internal Control Consultant issued the final report on the internal control review on 16 January 2024. The Company has taken appropriate remedial actions as recommended by the Internal Control Consultant. For further details on the key findings, recommendations and status of the internal control review, please refer to the announcement of the Company dated 5 February 2024.

View of Moore CPA Limited on the Investigation Report

The Company has confirmed with Moore CPA Limited (“**Moore**”), that Moore is of the view that the issues identified in the Investigation Report is not of a recurring nature and that having considered the rectification measures and remedial actions taken by the Group, the major internal control deficiencies have been remedied and the associated risks have been controlled at a reasonable level.

Remedial actions

After the Investigation and with effect from 27 May 2024, Mr. Niu Sanping resigned as an executive director of the Company, the chairman of the Board, and the chairman of the nomination committee under the Board and Mr. Niu Jian resigned as an executive director of the Company, the chief executive officer of the Company, a member of the remuneration committee under the Board and an authorised representative of the Company under the Listing Rules. Mr. Niu Sanping and Mr. Niu Jian have also resigned from their positions with the subsidiaries of the Company except that Mr. Niu Sanping remains as the chairman, principal and legal representative of the College. With effect from 20 June 2024, Mr. Zhang Zhiwei has been appointed as an executive director of the Company and the chairman of the Board. As of the date of this announcement, the Board consists of three executive directors, Mr. Zhang Zhiwei, Mr. Niu Xiaojun and Ms. Zhang Zhonghua, and three independent non-executive directors, Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Wong Chi Wah.

In order to address the concern that Mr. Niu Sanping and Mr. Niu Jian should not exert substantial influence on the business operations and affairs of the Group, below internal control measures will be implemented.

(i) Financial management

The Company will establish a strictly independent financial function and system reporting directly to the Board. All financial related matters shall be handled by the chief financial officer and the financial team. The chief financial officer will report directly to the Board and submit periodic reports to the audit committee under the Board.

The Company will formulate a clear division of power and responsibilities system to ensure that Mr. Niu Sanping’s responsibilities will not include any participation and approval in any financial related matters.

(ii) Business and operational management

The Company will also establish a strictly designed system also reporting directly to the Board to ensure that, all decision making power in all aspects of the business operation and affairs of the Group will only be exercised by the Board.

(iii) Internal audit

The Company will commission its internal audit department to conduct periodic inspections to monitor, in particular, whether Mr. Niu Sanping and Mr. Niu Jian have been involved in any financial and operational matters of the College which are not in compliance with the above arrangements, and will report their findings to the audit committee of the Board.

(iv) Undertaking by Mr. Niu Sanping and Mr. Niu Jian

Each of Mr. Niu Sanping and Mr. Niu Jian has provided an undertaking to the Company and the Stock Exchange that he will not use: (a) the shares he holds (directly or indirectly) in the Company and its subsidiaries, including the voting power in such shares; (b) the shares he holds in the Company's controlling shareholder, Niusanping Limited (in respect of Mr. Niu Sanping), and Niujian Limited (in respect of Mr. Niu Jian), including the voting power in such shares; or (c) their position as a director of Niusanping Limited or Niujian Limited, to influence the business and operations of the Company and its subsidiaries.

(v) Regular training

The Company will arrange for regular financial and compliance trainings to senior management and directors of the Company and make sure that they understand and comply with relevant regulations, and the Company's internal policies.

Accordingly, the Company is of the view that it has fulfilled Resumption Guidance (1).

2. Resumption Guidance (2) – publish all outstanding financial results required under the Listing Rules and address any audit modifications

Change of auditor

As disclosed in the announcement of the Company dated 7 September 2023, Ernst & Young (“EY”) resigned as the auditor of the Company with effect from 1 September 2023. In its resignation letter to the audit committee of the Board (the “**Audit Committee**”) and the Board, EY set out the matters that need to be brought to the attention of the shareholders or creditors of the Company, a summary of which are set out below.

Matters set out in EY's

No. resignation letter

Details

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

With respect to the Allegations, EY requested the Company to engage an investigation specialist to conduct the Investigation in response to the Allegations during a meeting on 28 November 2022. 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 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 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 Investigation Specialists. EY also requested for direct access to the Investigation Specialists 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 Investigation Specialists. Accordingly, EY was unable to plan nor determine the nature, timing and extent of additional audit procedures in relation to the Allegations.

Matters set out in EY's**No. resignation letter****Details****2. Issues identified prior to the suspension of EY's audit**

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| 2.1 Impairment assessment of the Fund Investment | EY had not been provided with any other documentary evidence to support the recoverability of the Fund Investment until the suspension of its audit in November 2022, hence, EY was unable to complete its assessment on the impairment of the Fund Investment as at 31 August 2022. |
| 2.2 Prepayments for services fees in relation to potential acquisitions | Apart from the agreements, EY had not yet been provided any explanations from management to substantiate the commercial substance and business rationale of the service fees paid by the Group to two entities which amounted to approximately RMB32 million during the year ended 31 August 2022. |
| 2.3 Advance to a related party | EY had not been provided any documentary evidence nor further explanations from management to substantiate the commercial substance and business rationale of the advance of RMB10 million by the Group to a related party which was controlled by an executive director and shareholder of the Company during March 2022. |

Please refer to the Company's announcement dated 7 September 2023 for further details of the matters raised by EY.

In response to the matters raised by EY in its resignation letter, the Board and the Audit Committee would like to emphasize that (i) upon the receipt of EY's request to conduct an independent investigation on the Allegations, the Company met with several investigation specialists in December 2022 and January 2023 and formally engaged one of the international accounting firms as the Investigation Specialists in February 2023; (ii) EY provided comments on the proposed scope of the Investigation by the Investigation Specialists during the meeting among EY, the Audit Committee and the Investigation Specialists (which were engaged afterwards) on 20 January 2023 and the Investigation Specialists accepted all of EY's comments on the investigation scope and proceeded to conduct the investigation in accordance with such scope as commented by EY; (iii) in addition to the Investigation by the Investigation Specialists, EY also requested to conduct concurrent shadow investigations. The Company was prepared to accept EY's request to conduct shadow investigations, but could not reach consensus with EY on its fees to conduct such

concurrent shadow investigations despite numerous communications with EY; (iv) with respect to the correspondences with the Stock Exchange, the Company understood it is legally obliged to maintain confidentiality; and (v) in addition, EY also increased its audit fee for the 2022 Annual Results, to which the Company had not yet been able to reach consensus with EY. Based on the Company's communications with EY, they would not continue the audit work for the 2022 Annual Results until the shadow investigations are finalized. The Board is concerned that protracted discussions with EY may result in further delay in the audit and publication of the 2022 Annual Results which subsequently will negatively affect the overall progress of the resumption in trading of the Company's shares. Please refer to the Company's announcement dated 25 September 2023 for further details.

The Board resolved, with the recommendation of the Audit Committee, to appoint Moore as the new auditor of the Company 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. Moore completed its internal procedures for such appointment and it acts as the Company's auditor with effect from 15 September 2023.

Upon the appointment of Moore as the Company's auditor, the Company worked closely with Moore on the audit of the 2022 Annual Results and the 2023 Annual Results.

Publication of all outstanding financial results

The Company has published all outstanding financial results including the 2022 Annual Results, 2022 Annual Report, 2023 Interim Results and 2023 Interim Report on 10 June 2024 and 2023 Annual Results, 2023 Annual Report, 2024 Interim Results and 2024 Interim Report on 19 June 2024.

As at the date of this announcement, the Company does not have any outstanding financial results required to be published under the Listing Rules.

Disclaimer of Opinion

The Company's auditor, Moore, expressed a disclaimer of opinion (the "**Disclaimer of Opinion**") on the 2022 Annual Results and 2023 Annual Results that it had not been able to obtain sufficient appropriate audit evidence in respect of the matters mentioned in the "**Basis for Disclaimer of Opinion**" section of its report to provide a basis for an audit opinion on the consolidated financial statements. The table below sets out the issues leading to the Disclaimer of Opinion and their potential impact on the 2024 financial results.

No.	Issues leading to the Disclaimer of Opinion	The potential impact on 2024 financial results
1.	Consultancy fees of US\$780,000 to the Third Party for the services on potential merger and acquisitions for a period of three years.	All the consultancy fees have been recognised as consultancy fee expense of RMB4,578,000 and RMB482,000 in 2022 and 2021, respectively. No similar transaction was noted in 2023. Therefore, such consultancy fees have no impact on the 2024 financial results.
2.	Loan to the Payee as mentioned in the paragraphs headed “Investigation on the Performance of the Investment Agreement – (3) Expenses and Loan” under Resumption Guidance (1) above.	The outstanding amount of RMB4 million has been fully impaired in 2022 and therefore, such amount has no impact on the 2024 financial results.
3.	The Fund Investment as mentioned in the paragraphs headed “Investigation on the Performance of the Investment Agreement – (1) The Fund Investment” under Resumption Guidance (1) above.	Since the Company has received all the redemption proceeds in May 2024, the disclaimer opinion on the outstanding balance would be removed in FY2024. Moore expects only carrying forward effect on the corresponding figures and the opening balance in FY2024.
4.	Loan advance to an individual as mentioned in the paragraphs headed “Transactions with Others – (4) Loans to an individual” under Resumption Guidance (1) above.	The individual repaid the first loan of RMB10 million on 19, 20 and 21 July 2021 and the second loan of HK\$28 million on 31 January 2022. Therefore, the loan advances to the individual have no impact on the 2024 financial results.
5.	Loan of RMB10 million by the Company to Party D as mentioned in the paragraphs headed “Transactions with Others – (2) Cooperation authorization fees to Party B and a loan to Party D” under Resumption Guidance (1) above.	Since Party D had fully repaid the loan amount of RMB10 million as at 13 June 2024, the disclaimer opinion on the outstanding balance would be removed in FY2024. Moore expects only carrying forward effect on the corresponding figures and the opening balance in FY2024.

No. Issues leading to the Disclaimer of Opinion	The potential impact on 2024 financial results
<p>6. Consultancy fees to Party A for services in respect of investor relationship management and potential acquisition matters for a period from July 2021 to April 2023 of HK\$13.3 million as mentioned in the paragraphs headed “Transactions with Others – (1) Consultation fees to Party A” under Resumption Guidance (1) above.</p>	<p>Based on the information available to Moore, no such expenses and prepayments related to the same independent third party were noted after 31 August 2023. This contract does not have any impact on the FY2024 consolidated financial statement. Moore expects only carrying forward effect on the corresponding figures in FY2024.</p>
<p>7. Service agreement for provision of consultant services to the Group in relation to tendering of land-use-right in the PRC of RMB20 million.</p>	<p>The Group and the service provider agreed to reduce the scope of service in December 2023. In May 2024, the service provider has refunded amount of RMB15.3 million. The disclaimer opinion on the prepayment balance would be removed in FY2024. Moore expects only carrying forward effect on the corresponding figures and the opening balance in FY2024.</p>

For further details, please refer to the 2022 Annual Results and 2023 Annual Results published on 10 June 2024 and 19 June 2024, respectively. In all other respects, in the opinion of Moore, the consolidated financial statements of the Company have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Accordingly, the Company is of the view that it has fulfilled Resumption Guidance (2).

3. Resumption Guidance (3) – demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules

The Group is principally engaged in the provision of higher education services in the PRC and operates one college, Shanxi Technology and Business College in Taiyuan City, Shanxi Province, the PRC. The Group’s operation has continued as normal notwithstanding the Suspension. The Group’s mission is to “**work conscientiously to cultivate qualified talent for society** (兢兢業業為社會培養合格人才)”. The Group is dedicated to (i) building the College into a modern institution of higher education of superior quality, and (ii) equipping students with practical and readily applicable skills that meet the ever-changing demands of the job market.

According to the research by Frost & Sullivan, the College ranked second among all private higher education institutions in Shanxi Province in terms of student enrollment in private undergraduate colleges in the 2022/2023 school year, with a market share of 15.4%. Founded in 1987, the Group has become one of the leading providers of private higher education in Shanxi Province.

The resources of higher education in Shanxi Province are relatively scarce. In 2022, the total number of students enrolled in the 12 private general higher education institutions in Shanxi Province was 123,400, accounting for only 12.3% of the total number of students enrolled in general higher education in the whole province (1,001,400). In 2022, the number of students enrolled and the total income of private general higher education in Shanxi Province accounted for 1.4% and 1.9% of the market share of private general higher education in China. There is a huge potential for the development and growth of private general higher education in Shanxi Province. The unparalleled scale, long-standing accreditations from PRC educational authorities, more than 36-year operating history, solid graduates base and strong brand recognition have provided the Group the competitive advantages among the peers.

A total of 18,978 students enrolled at the College in the 2022/2023 school year. As of 31 August 2023, the College employed 723 full-time teachers and 579 part-time teachers. The College offered bachelor's degree programs in a total of 42 majors and 3 concentrations to undergraduate students including accounting, auditing, civil engineering and business administration, among others. As of 31 August 2023, the College operated two campuses, namely, Longcheng campus and Beige campus, with a total area of approximately 481,504 sq. m. and building space of approximately 410,263 sq. m.

The Group derives its revenue from tuition and boarding fees from the College in the PRC. During the years ended 31 August 2022 and 2023, the Group generated revenue of approximately RMB305.9 million and RMB323.2 million, respectively, and profit before taxation of approximately RMB103.2 million and RMB137.3 million, respectively. Aside from revenue generated from tuition fees and boarding fees, the Group also has other income and gains from other ancillary businesses, such as income generated from holding examinations or housing training courses as a training center for third parties, bank and financial products interest income.

As of 31 August 2023, the Group had a total asset of approximately RMB1,960.7 million and net asset of approximately RMB1,707.9 million. Over the course of the Group's history, the Group had made significant investment in acquiring land for school sites and constructing teaching buildings, dormitories and students' activity buildings on the Longcheng campus and, later, on the Beige campus. As of 31 August 2023, the Group had property, plant and equipment amounting to approximately RMB862.3 million. The Group has already built solid infrastructure and its current facilities on the two campuses have allowed the Group to build up student body and will allow the Group to continue to expand going forward. The Board is of the view that the Company was and will continue to be profitable considering its historical performance and business model.

Accordingly, the Company is of the view that it has fulfilled Resumption Guidance (3).

4. Resumption Guidance (4) – announce all material information for the Company’s shareholders and investors to appraise its position

The Company is of the view that there is no other undisclosed information that is material for the shareholders of the Company and other potential investors to appraise the Company’s position in accordance with the Listing Rules and other applicable regulatory requirements. Accordingly, the Company is of the view that it has fulfilled Resumption Guidance (4).

5. Resumption Guidance (5) – conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meeting the obligations under the Listing Rules

As disclosed above, the Internal Control Consultant issued the final report on the internal control review on 16 January 2024. For further details on the key findings of the internal control review, please refer to the announcement of the Company dated 5 February 2024. The Internal Control Consultant identified weaknesses in the Group’s internal controls in corporate level control, financial reporting and disclosure control, revenue, other income and receivables management, procurement-to-payment management, fixed assets management, expenses management, human resources and payroll management, cash and treasury management, tax filing and payment management, related party transactions, information technology system risk management. Following recommendations by the Internal Control Consultant, the Company has taken appropriate measures to address the deficiencies and implemented enhanced internal control procedures.

A follow-up review with a review period from the date of implementation of remedial measures by the Group to 30 November 2023 had been conducted by the Internal Control Consultant in order to verify and ensure that the Company has put in place adequate internal control and procedures to comply with the Listing Rules.

Having considered the remedial actions taken by the Group and the follow-up review by the Internal Control Consultant on the enhanced internal control processes, the Internal Control Consultant is of the view that the above key internal control weaknesses have been remediated.

Accordingly, the Company is of the view that it has fulfilled Resumption Guidance (5).

RESUMPTION 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. As the Resumption Guidance has been fully fulfilled to the Stock Exchange's satisfaction, an application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 15 October 2024.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China General Education Group Limited
ZHANG Zhiwei
Chairman

Hong Kong, 14 October 2024

As at the date of this announcement, the executive directors are Mr. Zhang Zhiwei, 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.