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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)

CHANGE OF AUDITOR

This announcement is made by China 21st Century Education Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The board of directors (the “**Board**”) of the Company announced that on 8 November 2023, the Board decided to recommend Ernst & Young to resign as the auditor of the Company since the Board and Ernst & Young could not reach consensus on the audit fee in respect of the audit of the consolidated financial statements of the Group for the year ending 31 December 2023. Ernst & Young agreed to resign as the auditor of the Company with effect from 22 November 2023.

Among the factors that Ernst & Young assessed their audit fee for 2023, Ernst & Young considered that a matter related to certain bank loans of the Group (the “**Loans**”) should be brought to the attention of the shareholders of the Company (the “**Shareholders**”) or creditors of the Company (the “**Matter**”). The Group entered into loan agreements with certain banks with specific requirements whereby the Group was required to provide the underlying vendor contracts to the banks in order to draw down the Loans. Upon drawdown of the Loans by the Group, according to the terms of the respective Loans agreements, the Group is required to use the Loans proceeds to pay to the vendors based on the vendor contracts provided to the banks. As at 30 June 2023, the outstanding aggregate loan balances with such specific drawdown requirements amounted to approximately RMB736 million.

Ernst & Young noted in the sample of loan agreements and the respective vendor contracts that the relevant Loans proceeds drawdown which were transferred to the vendors, were subsequently partly paid back by the vendors to the Group (the “**Incident**”).

In view of the foregoing, Ernst & Young communicated to the Board regarding whether (i) the Incident would constitute a breach, or otherwise non-compliance, with the provisions of the respective Loans agreements and if so, (ii) the accounting and legal implications of such breach or non-compliance.

The Matter was also communicated to the audit committee of the Board (the “**Audit Committee**”) in the meetings with Ernst & Young, including the need for the Board to evaluate the possible consequential adverse impacts to the Group which may arise. Ernst & Young also requested the Board to consult its legal counsel, as well as to notify the banks regarding the Matter in order to undertake any available remedial actions if and as necessary. As it relates to 2023 audit, Ernst & Young have explained to the Audit Committee that, subject to such management evaluation and/or results of any remedial actions taken, they would need to perform additional procedures to evaluate the impact arising from the Matter on the Group’s financial statements.

The Board considered that it has actively cooperated with Ernst & Young since the Board was informed of the concerns of Ernst & Young in relation to the Matter and had consulted its PRC legal adviser regarding the subsequent arrangements to the drawdown of the Loans proceeds undertaken by the Group. The Group confirmed that the funds returned by the vendors received by it (the “**Returned Entrusted Payment Loans**”) were all used for its business development, and the principal and interest of the Loans were paid to the bank in strict accordance with the respective Loans agreements. The Group has no record of being investigated or penalized by the relevant financial regulatory authorities for such Returned Entrusted Payment Loans. Jingtian & Gongcheng, the PRC legal adviser of the Company, confirmed that the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》) and the General Lending Provisions (《貸款通則》) do not provide for the consequences of administrative penalties for such Returned Entrusted Payment Loans, and therefore, it is highly unlikely that the Group will be subjected to administrative penalties in respect of such matters.

Ernst & Young have confirmed in writing that, save as disclosed above, there are no other matters in connection with its resignation as the auditor of the Company that need to be brought to the attention of the Shareholders or creditors of the Company. The Board and the Audit Committee have also confirmed that there are no disagreement or unresolved matters between the Company and Ernst & Young that need to be brought to the attention to the Shareholders or creditors of the Company.

The Board confirms that Ernst & Young have not yet commenced any review or audit work on the consolidated financial statements of the Group for the year ending 31 December 2023. The Board believes that the resignation of Ernst & Young will not have any material impact on the annual audit and the release of annual results of the Group for the year ending 31 December 2023.

The Board further announces that, after the discussion with the Audit Committee, ZHONGHUI ANDA CPA Limited (“**ZHONGHUI ANDA**”) has been appointed by the Board as the new auditor of the Company with effect from 23 November 2023 until the conclusion of the next annual general meeting of the Company.

The Audit Committee has considered a number of factors in assessing the appointment of ZHONGHUI ANDA in accordance with their duties stated in the terms of reference of the Audit Committee, including but not limited to (i) the caliber of ZHONGHUI ANDA including its experience in handling audit work for companies listed on the Stock Exchange, its familiarity with the requirements under the Listing Rules and the International Financial Reporting Standards; (ii) the audit plan of ZHONGHUI ANDA; (iii) its independence and objectivity; (iv) its reputation in the market; (v) its resources and capability; and (vi) the guidelines issued by the Accounting and Financial Reporting Council. The Audit Committee is satisfied that ZHONGHUI ANDA is independent, confident and capable (in terms of manpower, expertise, time and resources) to perform audit services to the Company. In light of the Company's position mentioned above, following amicable discussion with the Company, Ernst & Young have agreed to resign as the auditor of the Company.

The Board would like to take this opportunity to express its sincere gratitude to Ernst & Young for its professional services rendered to the Group during the past years, and to express its warmest welcome to ZHONGHUI ANDA on its appointment as the auditor of the Company.

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

Hong Kong, 24 November 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.