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China Education Group Holdings Limited

中國教育集團控股有限公司

*(incorporated in the Cayman Islands with limited liability
and carrying on business in Hong Kong as “ChinaEdu 中教常春藤”)*

(Stock Code: 839)

**TOP-UP PLACING OF EXISTING SHARES AND
SUBSCRIPTION FOR NEW SHARES
UNDER GENERAL MANDATE**

Placing Agent



THE PLACING AGREEMENT AND THE SUBSCRIPTION AGREEMENT

On 10 August 2020, Blue Sky, White Clouds and the Company entered into the Placing Agreement with the Placing Agent pursuant to which Blue Sky and White Clouds have agreed to appoint the Placing Agent, and the Placing Agent has agreed to procure independent placees (or failing which itself as principal) to purchase a total of 130,000,000 Placing Shares at the Placing Price. As a condition precedent of the Placing Agreement, Blue Sky, White Clouds and the Company shall enter into the Subscription Agreement prior to the completion of the Placing Agreement, pursuant to which Blue Sky and White Clouds agree to subscribe for, and the Company agrees to issue to Blue Sky and White Clouds Subscription Shares equivalent to the number of Placing Shares at the Subscription Price (being the same as the Placing Price) upon the terms and conditions set out in the Subscription Agreement.

The number of Shares in aggregate to be placed by the Placing Agent is 130,000,000 Shares, representing approximately 6.43% of the issued share capital of the Company as at the date of this announcement and approximately 6.05% of the Company's issued share capital as enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors to allot and issue Shares by resolution of the Shareholders passed at the AGM. Under such General Mandate, the Company is authorised to issue up to 404,040,400 Shares. Save for the Subscription Shares, no Shares have been issued under the General Mandate as of the date of this announcement since it was granted. The Subscription is not subject to approval by the Shareholders of the Company.

The net proceeds from the Subscription are estimated to be approximately HK\$2,002,479,583, net of related costs, professional fees and out-of-pocket expenses. The Company intends to use the net proceeds from the Subscription for 1) potential as well as announced acquisitions; and 2) expansion and development of the Group's existing and new campuses.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Placing and the Subscription is subject to the satisfaction of the conditions precedent in the Placing Agreement and the Subscription Agreement. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

THE PLACING AGREEMENT

Date: 10 August 2020

Parties: (a) The Company;
(b) Blue Sky;
(c) White Clouds; and
(d) The Placing Agent.

Blue Sky and White Clouds

Pursuant to the Placing Agreement, the Placing Agent agreed to procure independent placees (or failing which itself as principal) to purchase 65,000,000 Shares and 65,000,000 Shares owned by Blue Sky and White Clouds respectively.

Blue Sky is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Passionate Jade Holding Limited and which in turn is wholly-owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu Guo, an executive Director, is the settlor and a beneficiary of the Blue Sky Trust.

White Clouds is a company incorporated in the British Virgin Islands with limited liability and is a company wholly-owned by Shimmery Diamond Holding Limited and which in turn is wholly-owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie Ketao, an executive Director, is the settlor and a beneficiary of the White Clouds Trust.

As at the date of the Placing Agreement, Blue Sky and White Clouds together beneficially owns 1,500,000,000 Shares, representing approximately 74.25% of the existing issued share capital of the Company. Detail of the shareholding structure of the Company is included in the section “Effect of the Placing and the Subscription” below.

Number of Placing Shares

The number of Shares in aggregate to be placed is 130,000,000 Shares, representing approximately 6.43% of the issued share capital of the Company as at the date of this announcement and approximately 6.05% of the Company’s issued share capital as enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

Placing Price

The Placing Price of HK\$15.50 per Share represents:

- (i) a discount of approximately 7.7% to the closing price of HK\$16.80 per Share as quoted on the Stock Exchange on 10 August 2020, as the date of the Placing Agreement;
- (ii) a discount of approximately 0.6% to the average closing price of approximately HK\$15.59 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 10 August 2020;
- (iii) a premium of approximately 2.2% to the average closing price of approximately HK\$15.17 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 10 August 2020; and
- (iv) a premium of approximately 12.0% to the average closing price of approximately HK\$13.83 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 10 August 2020.

The Placing Price of HK\$15.50 per Share was arrived at after arm's length negotiations between the Company, Blue Sky, White Clouds and the Placing Agent by reference to the market condition and the recent closing prices per Share. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

Rights of the Placing Shares

The Placing Shares are fully paid up and rank pari passu in all respects with other issued Shares, and will be sold and transferred free from and clear of all liens, charges and encumbrances, claims, options and third party rights.

Independence of placees and the Placing Agent

UBS AG Hong Kong Branch is acting as the Placing Agent for this transaction. The Placing Shares will be placed by the Placing Agent to not less than six independent placees which are professional, institutional or other investors selected and procured by or on behalf of the Placing Agent as contemplated by the Placing Agreement, who and whose respective ultimate beneficial owners are (to the best of the Directors' knowledge, information and belief having made all reasonable enquiry) (i) third parties independent of and not connected with the Company, any director, chief executive or substantial shareholder (including Blue Sky and White Clouds) of the Company or any of its subsidiaries, or any of their respective associates, and not acting in concert with Blue Sky and White Clouds and its concert parties; and (ii) will not become substantial shareholders of the Company after the Placing. Blue Sky and White Clouds have not been and will not be involved in the selection or identification of the placees in connection with the Placing.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are independent of, and not connected with, Blue Sky, White Clouds, the Company and their respective associates and connected persons.

Completion of the Placing

Completion of the Placing is expected to take place on or before 13 August 2020, or such other time or date as may be agreed by Blue Sky, White Clouds and the Placing Agent.

Condition of the Placing

The completion of the Placing, unless otherwise waived by the Placing Agent, is conditional upon:

- (a) the Subscription Agreement having been entered into by Blue Sky, White Clouds and the Company and not subsequently having been revoked, terminated or modified;
- (b) there not having occurred at any time prior to completion of the Placing (i) any breach of, or any event rendering untrue, incorrect or breached in any respect, any of the representations, warranties or undertakings referred to in the Placing Agreement or (ii) any breach of, or failure to perform, any of the other obligations of the Company or Blue Sky and White Clouds which are required to be performed at or before the completion of the Placing;
- (c) there not having occurred:
 - (i) any event, or series of events beyond the reasonable control of the Placing Agent (including, without limitation, any calamity, act of government, strike, labour dispute, lock-out, fire, explosion, flooding, earthquake, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease, terrorism, outbreak or escalation of hostilities (whether local, national or international), act of war and act of God);
 - (ii) any change, or development (whether or not permanent) involving a prospective change, in or affecting the business, general affairs, management, prospects, assets and liabilities, shareholders' equity, results of operations or position, financial or otherwise, of the Company or the Group as a whole, whether or not arising in the ordinary course of business;
 - (iii) any change (whether or not permanent) or any development (whether or not permanent) involving a prospective change or any crisis in local, national or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets and conditions with respect to interest rates in Hong Kong or otherwise) or foreign exchange controls in or affecting Hong Kong or elsewhere or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;

- (iv) the commencement by any state, governmental, judicial, regulatory or political body or organisation of any action against any director of the Company or an announcement by any state, governmental, judicial, regulatory or political body or organisation that it intends to take any such action; or
- (v) the introduction of any new law or regulation or any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority,

which individually or together, in the sole opinion of the Placing Agent, has or may have an material adverse effect; and

- (d) there not having occurred at any time prior to completion (i) the imposition of any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, or in any securities of the Company on any stock exchange or over the counter market or (ii) any material disruption in securities settlement, payment or clearance services in Hong Kong or the People's Republic of China, the United Kingdom or the United States or (iii) the imposition of any moratorium on commercial banking activities by the authorities in Hong Kong or the People's Republic of China or the United Kingdom or the United States Federal or New York State authorities.

Lock-up Arrangements

Each of Blue Sky and White Clouds has undertaken to the Placing Agent that (except for, among others, the sale of the Placing Shares pursuant to the Placing Agreement) for a period of 90 days from the date of the Placing Agreement it will not, and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent):

- (a) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares but excluding the Placing Shares) or any interests therein beneficially owned or held by Blue Sky and White Clouds or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or
- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (a) or (b) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
- (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above.

The Company has undertaken to the Placing Agent that for a period of 90 days from the date of the Placing Agreement, except for the Subscription Shares to be allotted and issued to Blue Sky and White Clouds or any new Shares which may be issued pursuant to options issued or to be issued under the Company's share option scheme(s), or Shares to be issued under the Company's share award scheme and/or upon conversion of convertible bonds outstanding as at the date of the Placing Agreement, the Company will not (without the prior written consent of the Placing Agent):

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or
- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

The Directors consider that the above undertaking provided by the Company is in line with general market practice and is a result of the arm's length commercial negotiations between the Company, Blue Sky, White Clouds and the Placing Agent, taking into account orderly market of the Shares. The undertaking is fair and reasonable so far as the Company and the Shareholders are concerned.

THE SUBSCRIPTION AGREEMENT

Date: 10 August 2020

Parties: (i) the Company;
(ii) Blue Sky; and
(iii) White Clouds.

Number of Subscription Shares

130,000,000 Shares in aggregate shall be subscribed by Blue Sky and White Clouds, representing approximately 6.43% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.05% of the issued share capital of the Company as enlarged by the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares). The number of Subscription Shares to be subscribed by each of Blue Sky and White Clouds is equivalent to the number of the Placing Shares placed by them respectively.

The Directors consider that the terms of the Subscription are fair and reasonable under the current market conditions, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Subscription Price

The Subscription Price is equivalent to the Placing Price, which is HK\$15.50 per Subscription Share. The net price of each Subscription Share after deduction of related costs and expenses is approximately HK\$15.40 per Share and the aggregate nominal value of the Subscription Shares is HK\$1,300.

General Mandate to issue the Subscription Shares

The Subscription Shares will be issued under the General Mandate, under which the Directors have been authorised by the Shareholders to allot and issue up to 404,040,400 new Shares, being 20% of the then issued share capital of the Company as at the date of passing such resolution. Up to the date of this announcement, the Company has not issued any Shares pursuant to the General Mandate. Based on the above, no separate Shareholders' approval is required for the Subscription.

Ranking of the Subscription Shares

The Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment of the Subscription Shares, in particular will rank in full for all dividends and other distributions declared, made or paid at any time after the date of the allotment.

Conditions of the Subscription

The Subscription by Blue Sky and White Clouds of the Subscription Shares is conditional upon:

- (i) completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such Subscription Shares and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares.

Completion of the Subscription

Completion shall take place on a date no later than 14 days from the date of the Placing Agreement (or such later date, subject to the approval of the Stock Exchange, as may be agreed between Blue Sky, White Clouds and the Company), failing which the Subscription Agreement and all rights and obligations of Blue Sky, White Clouds and the Company under the Subscription shall cease and terminate.

Completion of the Placing and the Subscription is subject to the satisfaction of the conditions precedent in the Placing Agreement and the Subscription Agreement. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and other securities of the Company.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

As set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing but before completion of the Subscription; and (iii) immediately after completion of the Placing and the Subscription, on the assumption that (a) there will be no other change to the share capital of the Company between the date of this announcement and the completion of the Subscription save for the issue of the Subscription Shares; and (b) the placees do not and will not hold any Shares other than the Placing Shares:

Shareholders	As at the date of this announcement		Immediately after Completion of the Placing but before the Subscription		Immediately after Completion of the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Blue Sky (Note)	750,000,000	37.12	685,000,000	33.91	750,000,000	34.88
White Clouds (Note)	<u>750,000,000</u>	<u>37.12</u>	<u>685,000,000</u>	<u>33.91</u>	<u>750,000,000</u>	<u>34.88</u>
Public						
Placees	NA	NA	130,000,000	6.43	130,000,000	6.05
Other public shareholders	<u>520,222,000</u>	<u>25.75</u>	<u>520,222,000</u>	<u>25.75</u>	<u>520,222,000</u>	<u>24.19</u>
Total	<u><u>2,020,222,000</u></u>	<u><u>100.00</u></u>	<u><u>2,020,222,000</u></u>	<u><u>100.00</u></u>	<u><u>2,150,222,000</u></u>	<u><u>100.00</u></u>

Note: As Blue Sky, White Clouds, Mr. Yu Guo and Mr. Xie Ketao entered into the Concert Party Agreement to align their shareholding interests in the Company, pursuant to which Blue Sky, White Clouds, Mr. Yu Guo and Mr. Xie Ketao agreed to vote in concert with each other for all operational and other matters at Board meetings or Shareholders' meeting of the Company (through himself, Blue Sky or White Clouds, as the case may be).

DISPENSATION FROM RULE 26 OF THE TAKEOVERS CODE

Blue Sky, White Clouds, Mr. Yu Guo and Mr. Xie Ketao have been acting in concert with each other in respect of the Company for at least 12 months immediately preceding date of the Placing Agreement and the Subscription Agreement.

As a result of the Placing, the aggregate percentage shareholding of Blue Sky and White Clouds and the persons acting in concert with them in respect of the Company will reduce from approximately 74.25% to approximately 67.81% (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Placing) and, as a result of the Subscription, their aggregate percentage shareholding will increase from approximately 67.81% (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Placing) to approximately 69.76% (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Subscription other than the issue by the Company of the Subscription Shares).

Blue Sky, White Clouds, Mr. Yu Guo and Mr. Xie Ketao have also confirmed that, as at the date of this announcement, Blue Sky and White Clouds, together with persons acting in concert with them in respect of the Company, have continuously held more than 50% of the voting rights of the Company for at least 12 months immediately preceding date of the Placing Agreement and the Subscription Agreement.

Pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code, a waiver from the obligation to make a general offer under Rule 26 of the Takeovers Code is not required where a shareholder, together with persons acting in concert with it, have continuously held more than 50% of the voting rights of a company for at least 12 months immediately preceding the relevant placing and top-up transaction.

Given Blue Sky and White Clouds, together with persons acting in concert with them in respect of the Company, have continuously held more than 50% of the voting rights of the Company for at least 12 months immediately preceding the date of the Placing Agreement and the Subscription Agreement, a waiver from the obligation to make a general offer under Rule 26 of the Takeovers Code is not required for the Subscription.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is a leading global higher and vocational education group with footprints in China, Australia and the United Kingdom, with a vision to provide quality education through innovation. As at 29 February 2020, the Group's network of schools includes six higher education institutions and three vocational education institutions in China, including the No.1 ranked private university in the country, a higher education institute in Sydney, Australia and a university in London, the United Kingdom. The Group is also the largest listed higher and vocational education provider in China in terms of student enrollment. As at 29 February 2020, the Group enrolled approximately 182,000 students.

In addition to the expansion plan of the existing schools, the Group will continue its merger and acquisition strategy in acquiring schools in order to expand the Company's footprint and to penetrate overseas market. As disclosed in the announcement dated 7 August 2020, the Company will acquire and invest in schools in Hainan. The Directors consider that the Placing and the Subscription will strengthen the capital base of the Company for (amongst others) its potential and announced acquisitions as well as expansion and development of new and existing campuses. The Company estimates that the net proceeds of the Subscription will amount to approximately HK\$2,002,479,583, net of related costs, professional fees and out-of-pocket expenses. The Company intends to use the net proceeds from the Subscription for 1) potential as well as announced acquisitions; and 2) expansion and development of the Group's existing and new campuses.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not undertaken any equity fund raising exercise over the period of twelve months prior to the date of this announcement.

The Directors confirm that, immediately after completion of the Placing and the Subscription, the public float of the Company will be no less than 25% of the Company's issued share capital as enlarged by the Subscription (assuming there is no change in the issued share capital of the Company from the date of this announcement to the date of the Subscription save for the issue of the Subscription Shares).

The Directors are of the view that the terms of the Agreement are fair and reasonable and believe that the Placing and the Subscription are in the best interests of the Company and the Shareholders as a whole.

DEFINITIONS

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“AGM”	the annual general meeting of the Company held on 14 February 2020
“associates”	has the meaning ascribed to it under the Listing Rules
“Blue Sky”	Blue Sky Education International Limited (藍天教育國際有限公司), a company incorporated in the British Virgin Islands with limited liability, beneficially interested in 750,000,000 Shares representing approximately 37.12% of the issued share capital of the Company as at the date of the Placing Agreement. Blue Sky and parties acting in concert with it (including White Clouds) are interested in aggregate approximately 74.25% interests in the Shares as at the date of the Placing Agreement
“Company”	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the AGM, pursuant to which the Company has been authorised to allot, issue and deal with up to 404,040,400 new Shares, being 20% of the then issued share capital of the Company as at the date of passing such resolution

“Group”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	UBS AG Hong Kong Branch, being the Hong Kong branch of UBS AG, a company incorporated in Switzerland with limited liability and a registered institution under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities, each as defined under the SFO
“Placing Agreement”	the agreement dated 10 August 2020 entered into between the Company, Blue Sky, White Clouds and the Placing Agent in respect of the Placing
“Placing Price”	HK\$15.50 per Placing Share
“Placing Shares”	130,000,000 Shares in aggregate to be placed by Blue Sky and White Clouds pursuant to the Placing Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.00001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Blue Sky and White Clouds pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement to be entered into by the Company and Blue Sky and White Clouds in respect of the Subscription
“Subscription Price”	an amount equal to the Placing Price

“Subscription Shares”	an aggregate of 130,000,000 new Shares to be issued by the Company and subscribed by Blue Sky and White Clouds under the Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs of Hong Kong
“White Clouds”	White Clouds Education International Limited (白雲教育國際有限公司), a company incorporated in the British Virgin Islands with limited liability, beneficially interested in 750,000,000 Shares representing approximately 37.12% of the issued share capital of the Company as at the date of the Placing Agreement. White Clouds and parties acting in concert with it (including Blue Sky) are interested in aggregate approximately 74.25% interests in the Shares as at the date of the Placing Agreement
“%”	per cent

By order of the Board
China Education Group Holdings Limited
Yu Guo Xie Ketao
Co-Chairmen

Hong Kong, 10 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Yu Guo, Mr. Xie Ketao, Dr. Yu Kai and Ms. Xie Shaohua, and the independent non-executive directors of the Company are Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing.