

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Education Group Holdings Limited**, you should at once hand this circular with the Election Form (if applicable) to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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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)

(Stock Code: 839)

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 AUGUST 2022**

If you **do not** wish to receive your Final Dividend **wholly in cash**, you should complete the Election Form in accordance with the instructions printed on it and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by 4:30 p.m. on Monday, 20 March 2023.

3 March 2023

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Blue Sky”	Blue Sky Education International Limited (藍天教育國際有限公司), a controlling shareholder (having the meaning ascribed thereto under the Listing Rules) of the Company
“BVI”	British Virgin Islands
“Company”	China Education Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Election Form(s)”	the form(s) of election in relation to the Scrip Dividend Scheme
“Eligible Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company on the Record Date
“Final Dividend”	a final dividend of RMB33.57 cents (equivalent to approximately HK\$36.63 cents, according to the central parity rate of RMB to HKD as announced by the People’s Bank of China on 28 November 2022, i.e. RMB0.91644 equivalent to HK\$1.00) per Share for the year ended 31 August 2022 to be paid to the Shareholders whose names appear on the register of members of the Company as at the Record Date
“HK\$” or “HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	27 February 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Post-IPO Share Option Scheme”	the share option scheme of the Company which was adopted by the resolutions in writing of the Shareholders passed on 29 November 2017

DEFINITIONS

“Pre-IPO Share Option Scheme”	the share option scheme of the Company approved and adopted by the Board on 27 November 2017
“Record Date”	Wednesday, 22 February 2023
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Scrip Dividend Scheme”	the scheme proposed by the Directors on 28 November 2022 in relation to the Final Dividend pursuant to which the Eligible Shareholders will receive the Final Dividend wholly in cash unless the relevant Eligible Shareholder elects to receive the Final Dividend wholly in the form of Scrip Shares or partly in cash and partly in the form of Scrip Shares
“Scrip Share(s)”	the new Share(s) to be allotted, issued and credited as fully paid under the Scrip Dividend Scheme
“Shares”	the ordinary share(s) in the capital of the Company with a par value of HK\$0.00001 each
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“White Clouds”	White Clouds Education International Limited (白雲教育國際有限公司), a controlling shareholder (having the meaning ascribed thereto under the Listing Rules) of the Company



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)

(Stock Code: 839)

Executive Directors:

Mr. Yu Guo (*Co-Chairman*)
Mr. Xie Ketao (*Co-Chairman*)
Dr. Yu Kai (*Chief Executive Officer*)
Mr. Wang Rui

Registered Office in Cayman Islands:

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

Independent Non-executive Directors:

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

Principal Office in Hong Kong:
Suite 6703-04, 67/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

3 March 2023

To the Shareholders

Dear Sirs and Madams,

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 AUGUST 2022**

1. INTRODUCTION

On 28 November 2022, the Board recommended the payment of a final dividend of RMB33.57 cents (equivalent to approximately HK36.63 cents, according to the central parity rate of RMB to HKD as announced by the People's Bank of China on 28 November 2022, i.e. RMB0.91644 equivalent to HK\$1.00) per Share for the year ended 31 August 2022 to the Shareholders whose names appear on the register of members of the Company on the Record Date and that the Final Dividend be satisfied wholly in cash, while Shareholders will be given an option to receive the Final Dividend wholly in the form of Scrip Shares in lieu of cash, or partly in cash and partly in the form of Scrip Shares. At the annual general meeting held on Monday, 13 February 2023, Shareholders approved the payment of the Final Dividend.

LETTER FROM THE BOARD

For the purpose of determining Shareholders' entitlement to the Final Dividend, the Company's register of members was closed from Friday, 17 February 2023 to Wednesday, 22 February 2023 (both dates inclusive). The latest time by which transfers were accepted for registration for entitlement to the Final Dividend was 4:30 p.m. on Thursday, 16 February 2023.

The purpose of this circular is to set out the procedures which apply in relation to the Scrip Dividend Scheme.

2. DETAILS OF THE SCRIP DIVIDEND SCHEME

2.1. Election available to Eligible Shareholders

Under the Scrip Dividend Scheme, the Eligible Shareholders whose names appear on the register of members of the Company as at the Record Date have the following choices to receive the Final Dividend:

- (a) a cash dividend of RMB33.57 cents (equivalent to approximately HK36.63 cents) per Share; or
- (b) by way of an allotment and issue of Scrip Shares (the number of which is determined as explained below) having an aggregate market value, save for adjustment for fractional entitlements, equal to the total amount of the Final Dividend which such Shareholder would otherwise be entitled to receive in cash; or
- (c) partly in cash and partly in the form of Scrip Shares.

As at the Latest Practicable Date, the Board confirmed that it has not received any information from the controlling shareholders of their intention to receive the Final Dividend in cash, in the form of Scrip Shares or partly in cash and partly in the form of Scrip Shares and particulars thereof. However, Blue Sky and White Clouds confirmed that should they elect to receive the Final Dividend in the form of Scrip Shares, each of them will elect to receive the same number of Scrip Shares.

Final Dividend in cash will be paid out in HKD.

2.2. Basis of allotment

For the purpose of calculating the number of Scrip Shares to be allotted to the Eligible Shareholders under alternatives (b) and (c) above, the issue price of the Scrip Shares has been determined at HK\$9.884 per Share, which is the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days from Wednesday, 15 February 2023 to Tuesday, 21 February 2023 (both dates inclusive).

LETTER FROM THE BOARD

Accordingly, the number of the Scrip Shares which the Eligible Shareholders will receive, in respect of the existing Shares registered in their names as at the Record Date (i.e. 22 February 2023) will be calculated as follows:

$$\begin{array}{rcl} \text{Number of Scrip} & & \text{RMB33.57 cents (equivalent to} \\ \text{Shares to be received} & & \text{approximately HK36.63 cents)} \\ \text{(rounded down to the} & = & \text{(Final Dividend per Share)} \\ \text{nearest whole number)} & & \hline & & \text{HK\$9.884} \\ & & \text{Average closing price per Share for} \\ & & \text{the five consecutive trading days} \\ & & \text{commencing on 15 February 2023} \end{array}$$

The number of the Scrip Shares to be received will be rounded down to the nearest whole number. Fractional entitlements to the Scrip Shares in respect of alternatives (b) and (c) above will be paid in cash (rounded down to the nearest cent) to the relevant Shareholders. The Scrip Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the existing Shares except that they shall not rank for the Final Dividend. The Scrip Shares will be allotted by way of capitalization of the Company's reserves or profits.

Scrip Shares issued to the Eligible Shareholders pursuant to an election to receive some or all of their Final Dividend in the form of Scrip Shares may be allotted in odd lots (of less than a board lot of 1,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of the Scrip Shares issued in odd lots. Eligible Shareholders should be aware that odd lots usually trade at a discount to the price of whole board lots.

3. ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Directors consider that the Scrip Dividend Scheme will provide the Eligible Shareholders with an option to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs and the Company will be able to benefit by retaining the cash for its operation if the Eligible Shareholders elect to receive the Final Dividend in the form of Scrip Shares (in whole or in part).

4. CONDITION OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Scrip Shares to be issued in respect of the Final Dividend. If this condition is not satisfied, the Scrip Dividend Scheme will not become effective and the Election Form will be void. The Final Dividend will then be paid wholly in cash.

LETTER FROM THE BOARD

5. EFFECT OF THE SCRIP DIVIDEND SCHEME

Shareholders should note that any receipt of the Scrip Shares by them may give rise to disclosure requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice. Shareholders who are in any doubt as to their tax position are also recommended to seek their own professional advice.**

As at the Latest Practicable Date, there were outstanding options granted for subscription of 28,675,000 Shares under the Pre-IPO Share Option Scheme, outstanding options granted for subscription of 3,850,000 Shares under the Post-IPO Share Option Scheme and outstanding convertible bonds due 2024 which may be convertible into up to 307,929 new Shares. Save as disclosed above, as at the Latest Practicable Date, the Company had no other outstanding options, warrants or other securities in issue which are convertible into or give rights to subscribe for, convert or exchange into, any Shares, as the case may be.

6. ELECTION FORM

An Election Form is enclosed with this circular for use by the Eligible Shareholders who wish to elect to receive the Final Dividend **wholly in the form of Scrip Shares or partly in cash and partly in the form of Scrip Shares**. If you **do not** wish to receive your Final Dividend **wholly in cash**, you should complete the Election Form in accordance with the instructions printed on it and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Monday, 20 March 2023. No acknowledgement of receipt of the Election Form will be issued.

If any Eligible Shareholder does not complete and return the Election Form by 4:30 p.m. on Monday, 20 March 2023, the Eligible Shareholder will receive the Final Dividend wholly in cash.

(a) To receive cash only

If you wish to receive the Final Dividend wholly in cash, you do **NOT** need to take any action. Please **DO NOT** return the Election Form.

(b) To receive Scrip Shares only

If you wish to receive the Final Dividend wholly in the form of Scrip Shares, please just **SIGN, DATE** and **RETURN** the Election Form.

(c) To receive partly in cash and partly in the form of Scrip Shares

If you wish to receive the Final Dividend partly in cash and partly in the form of Scrip Shares, you should complete **Box C** of the Election Form and fill in the number of registered Shares held by you on the Record Date for which you wish to receive Scrip Shares in lieu of cash dividend. Please **SIGN, DATE** and **RETURN** the Election Form.

LETTER FROM THE BOARD

If you complete the Election Form but do not specify the number of Shares in respect of which you wish to receive the Final Dividend in the form of Scrip Shares, or if you elect to receive Scrip Shares in respect of a number of Shares greater than your registered shareholding on the Record Date, you will be deemed to have exercised your election to receive Scrip Shares in respect of all the Shares of which you were then registered as the holder.

The latest time and date for return of the Election Form will be extended, as the case may be, in accordance with (a) or (b) below if there is a Typhoon Signal No. 8 or above, or a “black” rainstorm warning:

- (a) in force in Hong Kong at any local time at or before 12:00 noon and no longer in force after 12:00 noon on Monday, 20 March 2023. Instead, the deadline for the submission of Election Form will be extended to 5:00 p.m. on the same business day, i.e. Monday, 20 March 2023;
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m. on Monday, 20 March 2023. Instead, the deadline for the submission of Election Form will be extended to 4:30 p.m. on the next business day on which neither of those warnings are in force at any time between 9:00 a.m. and 4:30 p.m. (i.e. Tuesday, 21 March 2023 assuming the aforesaid warnings are not in force).

7. SHAREHOLDERS WITH REGISTERED ADDRESSES OUTSIDE HONG KONG

Neither this circular nor the Election Form will be registered in Hong Kong or in any other jurisdiction.

No Shareholder receiving a copy of this circular and/or the Election Form in any jurisdiction outside Hong Kong may treat the same as an invitation to participate in the Scrip Dividend Scheme unless in that relevant jurisdiction, such invitation could lawfully be made to that Shareholder without the Company having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities.

Based on the information made available to the Directors, on the Record Date, there was one Eligible Shareholder with registered address in the BVI, who held 20,687,068 Shares, representing approximately 0.81% of the entire issued share capital of the Company and there were no other Eligible Shareholders whose registered addresses shown on the register of members of the Company on the Record Date were outside Hong Kong.

Based on the opinion of the Company’s legal advisers on the laws of the BVI, the Company is advised that there are no legal restrictions under the laws or regulatory requirements of the BVI that would require the Company to exclude an Eligible Shareholder with its registered address in the BVI from receiving this circular or participating in the Scrip Dividend Scheme. Accordingly, no Eligible Shareholder will be excluded from participation in the Scrip Dividend Scheme.

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Notwithstanding the legal enquiries made by the Company, it is the responsibility of Eligible Shareholders with a registered address outside Hong Kong or otherwise residing outside Hong Kong electing to receive the Scrip Shares to consult their professional advisers as to whether they are permitted to receive the Scrip Shares under the Scrip Dividend Scheme or if any governmental or other consent is required or other formalities need to be observed, the tax consequences of their decision and whether there are any restrictions on their handling of any Scrip Shares so acquired (such as the sale of them). Eligible Shareholders residing in a jurisdiction where their participation in the Scrip Dividend Scheme is not permitted under the law of that place will be deemed to have this circular and the Election Form for information only.

8. LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares to be issued pursuant to the Scrip Dividend Scheme. Subject to the said permission being granted by the Stock Exchange, it is expected that share certificates for the Scrip Shares and/or cheques for cash dividend will be posted by ordinary mail to those entitled thereto at their own risk on Wednesday, 29 March 2023. Dealings of the Scrip Shares on the Stock Exchange are expected to commence on Thursday, 30 March 2023 after despatch to the Eligible Shareholders of the share certificates for the Scrip Shares. All share certificates for the Scrip Shares are non-renounceable.

As at the Latest Practicable Date, the Shares and the 2.0% convertible bonds due 2024 issued by the Company are listed and dealt in on the Stock Exchange, whereas the Renminbi-denominated 4.00% guaranteed bonds due 2025 issued by the Company are listed and dealt in on the Singapore Exchange Securities Trading Limited. Save for the above and as at the Latest Practicable Date, no other equity or debt securities of the Company are listed or dealt in on any other stock exchange nor listing or permission to deal in on any other stock exchange is being or proposed to be sought.

Subject to the granting of the listing of, and permission to deal in, the Scrip Shares to be issued under the Scrip Dividend Scheme on the Stock Exchange, such Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System. You should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

LETTER FROM THE BOARD

9. RECOMMENDATION AND ADVICE

Whether or not it is to the Eligible Shareholders' advantages to receive Scrip Shares or cash, in whole or in part, will depend upon their own individual circumstances. The effect on the tax position of any Eligible Shareholder will depend on that Eligible Shareholder's particular circumstances. If you are in any doubt as to what to do, you should consult your professional advisers. Eligible Shareholders, who are trustees, are recommended to take professional advice as to whether the choice to receive the Final Dividend in the form of Scrip Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

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