

TARGET

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CHINA GENERAL EDUCATION GROUP LTD: THE SHARE PRICE OF THIS COMPANY REMAINS STABLE: WHY ?

On scanning the Global Offering Prospectus of China General Education Group Ltd (中國通才教育集團有限公司) (Code: 2175, Main Board, The Stock Exchange of Hongkong Ltd), one might well be inclined to describe the Company as being as far removed from an exciting investment entity as one could imagine.

If anything, the term, ‘*staid*’, almost immediately springs to mind, along the lines of so many legal firms that specialise in drab and humdrum legal work, such as, inter alia, conveyancing.

However, since China General Education Group Ltd sought and obtained the Imperial purple toga of pre-eminence, afforded to select Senior Managements of corporate entities, the right to have its shares listed on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People’s Republic of China (PRC)**, its share price has been not very far removed from its Offer Price of \$HK3.69.

And this is despite the Company’s printed warning to shareholders that the Company’s profits would be impacted due to the costs of Listing Expenses, estimated to be not less than 44 million renminbi (about \$HK53,116,360.00).

As at today’s share price, at about \$HK4.46, it must be considered somewhat remarkable to many long-in-the-tooth stockbrokers, as well as institutional and professional investors, that there has not been some aspect of market pressure applied in order to bring down the share price.

The Global Offering Prospectus Of China General Education Group Ltd

On or about Wednesday, June 30, 2021, the Global Offering Prospectus of China General Education Group Ltd was published and disseminated in the HKSAR.

Management of this provider of higher education in the Shanxi Province (山西省) of the PRC, proper, being separate and distinct from the HKSAR of the PRC, sought to sell a total of 125 million, \$US0.00001 Offer Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK3.16 to a high of \$HK4.38.

HKSAR Investors were offered the opportunity to subscribe to 12.50 million Offer Shares (the HKSAR Offer Shares tranche) and International Investors – Institutional Investors, Professional Investors, as well as select, Well-Heeled Investors, along with their corporate entities in which this class of investors was deemed to own, legally and beneficially, equity control – were induced to apply for the remaining 112.50 million Offer Shares (the International Offer Shares tranche).

On Thursday, July 15, 2021, Senior Management of China General Education Group Ltd caused to make an announcement as to the Offer Price Per Share and the Allotment Results.

One was told, in this announcement, that the Offer Price Per Share had been struck at \$HK3.69 and that Management anticipated that the Net Proceeds of the Global Offering would come in at approximately \$HK408.60 million.

At Page 11 of the July 15, 2021 announcement, one was told as to Management's present intent with regard to the utilisation of the net proceeds of the Global Offering of Shares:

- Approximately, 45 percent of the net proceeds, that is about \$HK183.90 million, *'is expected to be used in connection with construction of Phase IV of Shanxi Technology & Business's Beige campus;'*
- Approximately, 25 percent of the net proceeds, that is about \$HK102.20 million, *'is expected to be used primarily to acquire or invest in private institutions of higher education that have substantial growth potential, or to acquire a parcel of land;'*
- Approximately, 20 percent of the net proceeds, that is about \$HK81.70 million, *'is expected to be used for renovation and upgrade projects in relation to teaching buildings and dormitories on Shanxi Technology & Business's Longcheng campus and purchase of teaching equipment and furniture;'* and,
- Approximately, 10 percent of the net proceeds, that is about \$HK40.80 million, *'is expected to be used for the Group's working capital and general corporate purposes.'*

With regard to the HKSAR Offer Shares, one was informed that it had *'been slightly over-subscribed'* with Management, having received a total of 15,879 valid applications for a total of 51,538,000 HKSAR Offer Shares, equivalent to about 4.12 times the total number of Offer Shares, available at this tranche.

As to the International Offer Shares, one was informed that it had *'been moderately over-subscribed'* by approximately 1.47 times the total number of 112.50 million Offer Shares, initially available at this tranche.

At Page 10 of the July 15, 2021 announcement, the following warning was published:

'In view of the high concentration of shareholding in a small number of Shareholders, Shareholders and prospective investors should be aware

that the price of the Shares could fluctuate substantially even with a small number of Shares traded and should exercise extreme caution when dealing in the Shares.'

The History And Business Of China General Education Group Ltd

The history of China General Education Group Ltd can be traced back about 17 years, according to statements, published at Page 135 of the Global Offering Prospectus.

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