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HOPE EDUCATION GROUP CO., LTD.

希望教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1765)

**(1) PROPOSED ISSUE OF US\$350,000,000 AGGREGATE PRINCIPAL
AMOUNT OF**

ZERO COUPON CONVERTIBLE BONDS DUE 2026,

BY TEQU MAYFLOWER LIMITED

A SUBSIDIARY OF HOPE EDUCATION GROUP CO., LTD.

AND

**(2) PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF
NEW SHARES UNDER GENERAL MANDATE**

As Manager and Placing Agent

CREDIT SUISSE 

PROPOSED ISSUE OF THE BONDS

The Board is pleased to announce that on 22 February 2021 the Company, as guarantor and the Issuer (a wholly-owned subsidiary of the Company) have entered into the CB Subscription Agreement with the Manager pursuant to which the Manager has conditionally agreed subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds to be issued by the Issuer in the aggregate principal amount of US\$350,000,000.

Based on the initial Conversion Price of HK\$3.85 and the Fixed Exchange Rate and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 704,827,272 Shares, representing:

- i. approximately 9.67% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- ii. approximately 8.81% of the issued ordinary share capital of the Company, as enlarged by full conversion of the Bonds.

The Company will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds and the Conversion Shares.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Manager is not connected with the Company or any of its connected persons.

The Manager has informed the Company that it intends to offer and sell the Bonds to not less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) will be an Independent Third Party that is not connected with the Company or any of its connected persons.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and none of the Bonds were placed to any connected persons of the Company. The Bonds were offered by way of debt issue to professional investors only. Completion of the CB Subscription Agreement is subject to the satisfaction and/or waiver (as the case may be) of the conditions precedent therein. In addition, the CB Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed "The CB Subscription Agreement" below for further information.

The Bonds and the Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will only be being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

The Board is pleased to announce that on 22 February 2021 (after trading hours), the Company, the Seller and the Manager entered into the Placing and Subscription Agreement, pursuant to which the Seller has agreed to appoint the Manager as the placing agent, and the Manager has agreed to act as the sole agent for the Seller, to procure placees, on a best effort basis, to purchase the Placing Shares at the Placing Price of HK\$2.80 for each Placing Share.

The Placing Shares represent approximately 9.33% of the existing issued share capital of the Company as of the date of this announcement and approximately 8.53% 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 (including no Bonds are converted into Conversion Shares) save for the issue of the Subscription Shares and the Placing Shares are placed in full).

The Placing Shares will be placed by the Manager to not less than six independent professional, institutional and/or individual investors who, together with their respective ultimate beneficial owners, will be Independent Third Parties.

Pursuant to the Placing and Subscription Agreement, the Seller has conditionally agreed to subscribe as principal for, and the Company has conditionally agreed to issue, the Subscription Shares (which shall be equal to the number of Placing Shares) at the Subscription Price. Assuming the Placing Shares are placed in full, the Subscription Shares represent approximately 9.33% of the existing issued share capital of the Company as at the date of this announcement and approximately 8.53% 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 (including no Bonds are converted into Conversion Shares) save for the issue of the Subscription Shares).

The Subscription Shares will be issued under the General Mandate and therefore, no further Shareholder approval is required. Application will be made for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Placing and the Subscription is subject to the satisfaction or (if applicable) waiver of the conditions precedent in the Placing and Subscription Agreement. Please refer to the sections headed “Conditions of the Placing” and “Conditions of the Subscription” in this announcement for further information. In the event that the conditions precedent in respect of the Subscription are not fulfilled within 14 days after the date of the Placing and Subscription Agreement (or such later date as may be agreed between the Company and the Seller in writing and in compliance with the Listing Rules), the obligations and liabilities of the Company and the Seller under the Subscription shall be null and void and neither the Company nor the Seller shall have any claim against the other for costs, damages, compensation or otherwise.

The Placing Price is HK\$2.80 per Share and represents (i) a discount of approximately 9.68% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 14.11% to the average closing price of approximately HK\$3.26 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days prior to and including the Last Trading Day; and (iii) a discount of approximately 13.31% to the average closing price of approximately HK\$3.23 per Share as quoted on the Stock Exchange for the last ten (10) consecutive Trading Days prior to and including the Last Trading Day.

Shareholders and potential investors should note that (i) the issue of the Bonds may or may not be completed; (ii) the Bonds and/or the Conversion Shares may or may not be issued or listed; and (iii) the Placing and the Subscription may or may not proceed to completion. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

PROPOSED ISSUE OF THE BONDS

On 22 February 2021 (after trading hours), the Company and the Manager entered into the CB Subscription Agreement with details as follows:

The CB Subscription Agreement

Date: 22 February 2021

Parties: The Company as the Guarantor, the Issuer and Credit Suisse as the Manager

Subscription of the Bonds

Subject to the fulfilment (or waiver) of the conditions set out below under the section headed “Conditions Precedent to Bonds Subscription”, the Manager agrees to subscribe and pay for, or to procure subscriptions and payments for the Bonds in an aggregate principal amount of US\$350,000,000.

The Manager has informed the Company that they intend to offer and sell the Bonds to not less than six placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) will be an Independent Third Party that is not connected with the Company or any of its connected persons.

Conditions Precedent to Bonds Subscription

The obligations of the Manager to subscribe and pay for the Bonds are subject to the fulfilment of the following conditions precedent:

1. the Manager being satisfied with the results of its due diligence investigations with respect to the Issuer and its subsidiaries and the offering circular shall have been prepared in form and content satisfactory to the Manager;

2. at the CB Closing Date:
 - i. the representations and warranties of each of the Company and the Issuer in the CB Subscription Agreement being true, accurate and correct in all respects and not misleading in any respect at, and as if made on, such date;
 - ii. each of the Company and the Issuer having performed all of its obligations and undertakings under this Agreement to be performed on or before such date; and
 - iii. there having been delivered to the Manager a certificate in the form prescribed in the CB Subscription Agreement dated as of such date, of a duly authorised officer of the Company and a director of the Issuer to such effect;
3. on the date of the CB Subscription Agreement and on the CB Closing Date, there having been delivered to the Manager letters, in form and substance satisfactory to the Manager, dated the date of the CB Subscription Agreement in the case of the first letters and dated the CB Closing Date in the case of the subsequent letters, and addressed to the Manager from the independent auditors to the Company;
4. the Hong Kong Stock Exchange having agreed to list the Conversion Shares upon conversion of the Bonds;
5. on the date of the CB Subscription Agreement and on the CB Closing Date, the Company shall have furnished to the Manager a certificate of its officer with respect to the preparation, completeness and accuracy of certain financial data and operating data contained in the offering circulars, providing “management comfort” with respect to such information, in form and substance reasonably satisfactory to the Manager;
6. after the date of the CB Subscription Agreement and up to and as of the CB Closing Date, there shall not have occurred any change (nor any development or event involving a prospective change), which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of the Group;
7. on the CB Closing Date, none of the Company, the Issuer or any other members of the Group is in breach of or in default (nor has any event occurred which, with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement would result in a default by the Issuer or any other members of the Group) under the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan or credit agreement or other evidence of indebtedness or other agreement, obligation, condition, covenant or instrument to which it is a party or to which their respective assets are bound except for any breach or default which would not, individually or in the aggregate, have a material adverse effect;
8. on or prior to the CB Closing Date, there shall have been delivered to the Manager copies of all consents and approvals required on the part of each of the Company and the Issuer in relation to the issue of the Bonds and the performance of their respective obligations under the Bonds and all the transactions contemplated under the Contracts, in each case in form and substance reasonably satisfactory to the Manager (including, without limitation, approval by the Company’s and the Issuer’s board of directors, shareholders and any relevant governmental or regulatory authorities);

9. on or before the CB Closing Date, there having been delivered to the Manager each of the Contracts, duly executed by each party thereto other than the Manager in the form and substance as agreed between the Issuer and the Manager;
10. the Securities Lending Agreement shall be in full force and effect and no default shall have occurred thereunder;
11. a copy of the “Enterprise Overseas Debt Issuance Registration Certificate (企業發行外債備案登記證明)” with respect to the Bonds issued by NDRC, dated 9 February 2021, having been delivered to the Manager;
12. on or before the CB Closing Date, there having been delivered to the Manager opinions, in form and substance reasonably satisfactory to the Manager, dated the CB Closing Date, as the case may be, of:
 - i. legal advisers to the Company and the Issuer as to the law of Cayman Islands;
 - ii. legal advisers to the Company and the Issuer as to the law of the PRC;
 - iii. legal advisers to the Company and the Manager as to the law of the PRC;
 - iv. legal advisers to the Manager as to English law; and
 - v. legal advisers to the lending shareholders as to the law of the British Virgin Islands;and such other resolutions, consents authorities and documents relating to the issue of the Bonds, as the Manager may require;
13. on or before the CB Closing Date, a trustee and paying agent reasonably satisfactory to the Manager having been appointed as trustee and paying agent for the Bonds; and
14. on or before the date hereof, the Manager shall have received a lock-up agreement from Hope Education Investment Limited in form and substance satisfactory to the Manager, an agreed form prescribed in the CB Subscription Agreement.

The Manager may, at its discretion and upon such terms as they think fit, waive compliance with the whole or any part of the conditions precedent (other than condition 4 above).

The Issuer shall use its best endeavors to ensure the fulfilment of the conditions precedents as soon as reasonably practicable.

Termination of the CB Subscription

The Manager may, by written notice to the Issuer at any time prior to payment of the subscription price for the Bonds to the Issuer, to elect to treat the events below, breach or failure as terminating the CB Subscription Agreement notwithstanding any other provisions of the CB Subscription Agreement:

1. if there shall have come to the notice of the Manager any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties, representations and undertakings contained in the CB Subscription Agreement or any failure to perform any of the Company's or the Issuer's undertakings or agreements in the CB Subscription Agreement;

2. if any of the conditions specified in the paragraph headed “Conditions Precedent to Subscription” has not been satisfied, or waived by the Manager, on or prior to the CB Closing Date;
3. if in the opinion of the Manager, there shall have been, since the date of the CB Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including foreign exchange controls) which would in its view, be likely to prejudice the success of the issue of the Bonds;
4. if, in the opinion of the Manager, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Hong Kong Stock Exchange and/or any other stock exchange on which the Company’s securities are traded; (ii) a suspension or a material limitation in trading in the Company’s securities on the Hong Kong Stock Exchange and/or any other stock exchange on which the Company’s securities are traded; (iii) a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Issuer, the Bonds, the Shares or the transfer thereof which is likely to prejudice materially the success of the issue and distribution of the Bonds or dealings in the Bonds in the secondary market; or
5. if, in the opinion of the Manager, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the issue and distribution of the Bonds or dealings in the Bonds in the secondary market.

Company’s Lock-up Undertaking

The Company and the Issuer have undertaken to the Manager that, subject to certain exceptions, none of the Company, the Issuer, any member of the Group or any person acting on their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds or the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Manager between the date of the CB Subscription Agreement and the date which is 90 calendar days after the CB Closing Date (both dates inclusive) (the “**CB Lock-up Period**”).

Lock-up Undertaking

Our shareholder Hope Education Investment Limited has undertaken with the Manager that, subject to certain exceptions, neither it nor any companies or their subsidiaries over which it exercises direct or indirect management or voting control, nor any person acting on its or their behalf will, during the CB Lock-up Period, without the prior written consent of the Manager, (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any lock-up Shares or securities of the same class as the lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the lock-up Shares or securities of the same class as lock-up Shares or other instruments representing interests in lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing.

Principal Terms of the Bonds

The principal terms of the Bonds are summarized as follows:

Issuer	Tequ Mayflower Limited, a company incorporated with limited liability in the Cayman Islands, which is a wholly-owned subsidiary of the Company
Guarantor	The Company
Principal Amount	US\$350,000,000
Issue Date	2 March 2021
Maturity Date	2 March 2026
Issue Price	100% of the principal amount of the Bonds
Guarantee	The due and punctual payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds and the performance of all of the Issuer's other obligations under the Trust Deed and the Bonds will be unconditionally and irrevocably guaranteed by the Company.
Interest	The Bonds do not bear any interest, except where there is an event of default. Default interest shall be payable on late payments at three per cent. per annum above the interest rate.

Conversion

Subject to certain conditions, the Bondholders have the right to convert their Bonds into Shares at the Conversion Price at any time on and after 12 April 2021 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the seventh day prior to the Maturity Date (both days inclusive) (but, except as provided in the Conditions, in no event thereafter) or if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business (both days inclusive and at the place aforesaid) on a date no later than seven days (at the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the relevant holder of such Bond pursuant to the Conditions then up to the close of business (at the place aforesaid) on the business day prior to the giving of such notice. The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted (translated into Hong Kong dollars at the Fixed Exchange Rate) by the Conversion Price in effect at the relevant Conversion Date.

Conversion Price

The price at which Shares will be issued upon conversion shall initially be HK\$3.85 per Conversion Share. The initial Conversion Price of HK\$3.85 represents: (i) a premium of approximately 24.19% over the closing price of HK\$3.10 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day; (ii) a premium of approximately 18.10% over the average closing price of HK\$3.26 per Share as quoted on the Hong Kong Stock Exchange for the five Trading Days up to and including the Last Trading Day; and (iii) a premium of approximately 19.20% over the average closing price of HK\$3.23 per Share as quoted on the Hong Kong Stock Exchange for the ten Trading Days up to and including the Last Trading Day.

The Conversion Price is subject to adjustment as follows:

- (a) if there is an alteration to the nominal value of the Shares as a result of consolidation, subdivision, reclassification or re-designation;
- (b) if the Company issues any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves and/or share premium account and which would not have constituted a capital distribution;
- (c) in the case of an issue of Shares by way of a scrip dividend where the aggregate Current Market Price of such Shares exceeds the amount of the relevant cash dividend (or relevant part thereof) and which would not have constituted a capital distribution;
- (d) if and whenever the Company pays or makes any capital distribution to the Shareholders (except otherwise subject to other adjustment events);

- (e) if and whenever the Company issues Shares by way of rights, or issues or grants rights, options, warrants or other rights to acquire Shares to all or substantially all Shareholders as a class at less than 95% of the Current Market Price per Share;
- (f) if and whenever the Company issues any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) by way of rights or issues or grants by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities to all or substantially all Shareholders as a class;
- (g) if and whenever the Company issues any Shares or grants any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares at a price which is less than 95% of the Current Market Price (except otherwise subject to other adjustment events);
- (h) if the Company or any of its subsidiaries or any other person (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) issues any securities (other than the Bonds) convertible into Shares at a consideration per Share which is less than 95% of the Current Market Price;
- (i) if and whenever any of the rights of conversion, exchange or subscription attaching to any such securities referred to in (h) immediately above is modified so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95% of the Current Market Price;
- (j) if and whenever the Company or any of its subsidiaries or any other person (at the direction or request of the Company or any of its subsidiaries) issues, sells or distributes any securities in connection with any offer pursuant to which the Shareholders are generally entitled to acquire such securities (except otherwise subject to other adjustment events); or
- (k) if the Company otherwise determines that an adjustment should be made to the Conversion Price.

The Conversion Price may not be reduced so that, on conversion of the Bonds, Shares would fall to be issued at a discount to their par value.

No adjustment will be made to the Conversion Price when Shares or other securities are issued, offered or granted to employees of the Company or any subsidiary of the Company pursuant to the Share Option Scheme that is in compliance with the Listing Rules, unless such issuance would result in the total number of Shares which may be issued upon exercise of such Shares or other securities granted during the 12 months prior to such issuance representing, in aggregate, over one per cent. of the average number of issued and outstanding Shares during such 12-month period.

Adjustment upon
Change of Control

If a Change of Control shall occur, the Issuer shall give notice of that fact to the Bondholders within seven days after it becomes aware of such Change of Control. Following the giving of such notice, upon any exercise of conversion rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the notice of the Change of Control is given to the Bondholders, the Conversion Price shall be adjusted downwards in accordance with the following formula:

$$NCP = OCP / (1 + (CP \times (c/t)))$$

Where:

NCP is the new Conversion Price;

OCP is the Conversion Price in effect on the relevant Conversion Date;

CP is the conversion premium of 37.5% expressed as a fraction;

c is the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

t is the number of days from and including the CB Closing Date to but excluding the Maturity Date.

Ranking of Conversion Shares	The Conversion Shares will be fully paid and will in all respects rank <i>pari passu</i> with the Shares in issue on the date the name of the holder of record of the number of Shares issuable upon conversion are registered as such in the register of members of the Company.
Redemption at Maturity	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at 105.11% of its principal amount on the Maturity Date. The Company may not redeem the Bonds at its option prior to that date except as provided below.
Redemption at the option of the Company	<p>The Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee, redeem the Bonds in whole but not in part at the Early Redemption Amount if:</p> <ul style="list-style-type: none"> (i) at any time after 18 March 2024 but prior to the Maturity Date, provided that the closing price of the Shares, for 20 out of 30 consecutive Trading Days prior to the date upon which notice of such redemption is published was at least 130% of the applicable Early Redemption Amount divided by the Conversion Ratio in effect on such Trading Day; or (ii) at any time prior to the date upon which notice of such redemption is given, at least 90% in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Redemption for taxation reasons	At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, redeem the Bonds in whole but not in part on the date specified in such notice for redemption at the Early Redemption Amount, if immediately prior to the giving of such notice, the Issuer determines and certifies to the Trustee that (i) the Issuer (if the Guarantee was called on, the Guarantor) has or will become obliged to pay additional tax as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands or Hong Kong, or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 February 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company, as the case may be) would be obliged to pay such additional tax were a payment in respect of the Bonds then due. If the Company gives a notice of redemption for taxation reasons, each Bondholder will have the right to elect that his or her Bond(s) shall not be redeemed.
Redemption at the Option of the Bond Holders	The Company will, at the option of the Bondholder redeem all or some only of such Bondholder's Bonds on 2 March 2024 at 103.04% of the principal amount.
Redemption for Relevant Event	Each Bondholder shall have the right to require the Issuer to redeem all or some only of such Bondholder's Bonds at the Early Redemption Amount when (i) the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 14 consecutive Trading Days on a relevant stock exchange, (ii) there is a Change of Control, (iii) when less than 25 per cent. of the Issuer's total number of issued Shares are held by the public (as interpreted under LR8.24 of the Listing Rules, or (iv) (a) there is any change in laws or regulations of the PRC that results in (x) the Group, as a whole, being legally prohibited from operating substantially all of the business operations conducted by it and (y) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group and (b) the Company has not furnished to the Trustee within six months after such change in law an opinion from an independent financial adviser or legal counsel that the Company is able to continue to derive substantially all of the economic benefits from the business operations or that such change in law would not materially adversely affect the Issuer's and the Company's ability to make principal and interest payments on the Bonds.
Transferability	The Bonds will be freely transferable, subject to certain restricted transfer periods.

Form and Denomination	<p>The Bonds are issued in registered form in the denomination of US\$200,000 each and integral multiples of US\$1,000 in excess thereof. Upon issue, the Bonds will be initially represented by a global certificate representing Bonds registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking, S.A.</p>
Status	<p>The Bonds constitute direct, unsubordinated, unconditional and (subject to the negative pledge) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.</p> <p>The Company shall unconditionally and irrevocably guarantee the due and punctual payment of all sums payable by the Issuer under the Trust deed to be entered into and the Bonds and the performance of all its other obligations under the Trust deed and the Bonds. The obligations of the Company under the Guarantee shall constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Company and shall, save for any obligation preferred by any applicable law, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.</p>
Negative Pledge	<p>So long as any Bond remains outstanding, each of the Issuer and the Company will not, and will ensure that none of its subsidiaries will, create, permit to subsist or arise or have outstanding, any Encumbrance upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior according to the Bonds the same Encumbrance as is created or subsisting to secured any Relevant Indebtedness, guarantee or indemnity equally and ratably or such other security as shall be approved by an extraordinary resolution of the Bondholders.</p>
Listing	<p>An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds and the Conversion Shares.</p>

Comparison of Conversion Price

The initial Conversion Price of HK\$3.85 per Share was determined after arm's length negotiations between the Company and the Manager with reference to the closing price of the Shares quoted on the Hong Kong Stock Exchange on the Last Trading Day, representing:

- (i) a premium of approximately 24.19% over the closing price of HK\$3.10 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 18.10% over the average closing price of HK\$3.26 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 19.20% over the average closing price of HK\$3.23 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

Conversion Shares

Based on the initial Conversion Price of HK\$3.85 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 704,827,272 Shares, representing:

- (i) approximately 9.33% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- (ii) approximately 8.53% of the issued ordinary share capital of the Company, as enlarged by full conversion of the Bonds.

Securities Lending Arrangement

In connection with the proposed issue of Bonds, the Securities Lending Agreement has been entered into on 22 February 2021, to allow Hope Education Investment Limited to provide stock lending to the borrower, Credit Suisse AG, Hong Kong Branch, for 500,000,000 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreement.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong and none of the Bonds were placed to any connected persons of the Company). The Bonds were offered by way of debt issue to professional investors only. Completion of the CB Subscription Agreement is subject to the satisfaction and/or waiver (as the case may be) of the conditions precedent therein. In addition, the CB Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed "The CB Subscription Agreement" above for further information.

The Bonds and the Conversion Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will only be offered and sold outside the United States in reliance on Regulation S under the Securities Act.

WARNING: As the CB Subscription Agreement may or may not complete, and the Bonds and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PLACING OF PLACING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

On 22 February 2021 (after trading hours), the Company, the Seller and the Manager entered into the Placing and Subscription Agreement, pursuant to which the Seller has agreed to sell and the Manager has agreed to act as the agents of the Seller, to procure on a best effort basis places to purchase, the Placing Shares at the Placing Price of HK\$2.80 for each Placing Share, and (ii) the Seller conditionally agreed to subscribe for, and the Company conditionally agreed to issue the Subscription Shares at a price, which is equivalent to the Placing Price of HK\$2.80 for each Placing Share.

The Placing and Subscription Agreement

Date: 22 February 2021

Parties: The Company, the Seller and the Manager

Number of Shares to be placed

680,000,000 existing Shares beneficially owned by the Seller, representing in aggregate approximately 9.33% of the existing issued share capital of the Company as at the date of this announcement and approximately 8.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (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 (including that no Bonds are converted into Conversion Shares) save for the issue of the Subscription Shares and the Placing Shares are placed in full.

Placing Price

The Placing Price is HK\$2.80 per Share and represents:

- (i) a discount of approximately 9.68% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 14.11% to the average closing price of approximately HK\$3.26 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days prior to and including the Last Trading Day; and
- (iii) a discount of approximately 13.31% to the average closing price of approximately HK\$3.23 per Share as quoted on the Stock Exchange for the last ten (10) consecutive Trading Days prior to and including the Last Trading Day.

The Placing Price is exclusive of brokerage, trading fees, stamp duty, transaction fees and levies.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis among the Seller, the Company and the Manager. The Directors consider that the Placing Price, and the terms and conditions of the Placing and Subscription Agreement, are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

Rights of the Placing Shares

The Placing Shares will be sold free from all pledges, liens, charges and encumbrances, equities, security interests or other claims and together with all rights attaching thereto as at the date of the completion of the Placing, including the rights to all dividends and other distributions declared, made or paid in respect of the Placing Shares for which a record date occurs on or after the date of the Placing and Subscription Agreement.

Independence of the Manager and the Placees

The Placing Shares will be placed by the Manager to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a Substantial Shareholder of the Company as a result of the Placing.

To the best of the knowledge, information and belief of the Directors, the Manager and the placees to be procured by the Manager and the ultimate beneficial owners of the placees are or will be, as the case may be, Independent Third Parties.

Lock-up Undertakings

The Seller has undertaken with the Manager that, subject to certain exceptions, neither it nor any companies or their subsidiaries over which it exercises direct or indirect management or voting control, nor any person acting on its or their behalf will, for a period commencing from the date of the Placing and Subscription Agreement to 90 calendar days after the Placing Closing Date (the "**Placing Lock-up Period**"), without the prior written consent of the Manager, (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Shares or securities of the same class as Shares or other instruments representing interests in Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing.

The Company shall not, the Company shall procure that the members of the Group and any person acting on their behalf will not, and the Seller shall procure that the Company and the members of the Group and any person acting on their behalf will not, without the prior written consent of the Manager and subject to certain exceptions, (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds or the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Manager between the date of the Placing and Subscription Agreement and the date which is 90 calendar days after the Placing Closing Date (both dates inclusive).

Conditions of the Placing

Completion of the Placing is conditional upon the fulfillment or waiver of, among others, the following conditions:

1. before the completion of the Placing, there shall not have occurred:
 - i. any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of the Company, or the Company and its subsidiaries taken as a whole; or
 - ii. any suspension or limitation of trading (a) in any of the Company's securities by the Stock Exchange or any other exchange or over the counter market on which the Company's securities are admitted or listed for trading, or (b) generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the London Stock Exchange, the New York Stock Exchange or the Nasdaq National Market; or
 - iii. any outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong, the People's Republic of China (the "**PRC**"), Japan, Singapore, the United States, the United Kingdom, any other member of the European Economic Area ("**EEA**") or the Cayman Islands (together, the "**Relevant Jurisdictions**") of a national emergency or war or other calamity or crisis; or
 - iv. any material disruption in commercial banking or securities settlement or clearance services in any Relevant Jurisdiction and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in any Relevant Jurisdiction; or

- v. any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in any Relevant Jurisdiction or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation,

that, in the sole judgment of the Manager, would make the placement of the Placing Shares or the enforcement of contracts to purchase the Placing Shares impracticable or inadvisable, or would materially prejudice trading of the Placing Shares in the secondary market;

- 2. the representations and warranties made by any of the Company and the Seller pursuant the Placing and Subscription Agreement being true and accurate and not misleading as of the date of the Placing and Subscription Agreement and the Placing Closing Date;
- 3. each of the Company and the Seller having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be complied with or satisfied under the Placing and Subscription Agreement on or before the Placing Closing Date;
- 4. the Manager having received on the Placing Closing Date an opinion of the legal adviser of the Company as to Cayman Islands law to the satisfaction of the Manager on, certain matters set forth in the Placing and Subscription Agreement;
- 4. the Manager having received on the Placing Closing Date an opinion of the legal adviser of the Seller as to British Virgin Islands law to the satisfaction of the Manager on, certain matters set forth in the Placing and Subscription Agreement; and
- 5. the Manager having received on the Placing Closing Date an opinion of the legal adviser of the Manager as to U.S. law to the effect that the offer and sale of the Placing Shares by the Manager as set forth in the Placing and Subscription Agreement are not required to be registered under the U.S. Securities Act.

Completion of the Placing

Subject to the conditions mentioned above, the completion of the Placing shall take place on the Placing Closing Date, being 25 February 2021, or such other time and/or date as the Company and the Manager may agree. The completion of the Placing is not conditional upon completion of the CB Subscription Agreement.

Since completion of the Placing is subject to the satisfaction of certain conditions precedent, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Subscription Shares

680,000,000 new Shares (which shall be equal to the number of Placing Shares) to be issued to the Seller, representing in aggregate approximately 9.33% of the existing issued share capital of the Company as at the date of this announcement and approximately 8.53% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares (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 (including that no Bonds are converted into Conversion Shares) save for the issue of the Subscription Shares and the Placing Shares are placed in full.

Subscription Price

The subscription price per new Share is equivalent to the Placing Price of HK\$2.80 per Share. The aggregate value of the Subscription Shares is HK\$1,904 million.

The Directors consider that the terms of the Subscription are fair and reasonable under the current market conditions and are in the best interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription including the rights to all dividends and other distributions declared, made or paid on or after the date of allotment of the Subscription Shares.

Conditions of the Subscription

The Subscription is conditional upon the fulfilment of, among others, the following conditions:

1. the listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares) is granted and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares; and
2. completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement.

Application will be made by the Company for the listing of, and the permission to deal in, the Subscription Shares. None of the conditions for the Subscription can be waived by the parties to the Placing and Subscription Agreement.

In the event that the conditions in respect of the Subscription are not fulfilled within 14 days after the date of the Placing and Subscription Agreement (or such later date as may be agreed between the Company, the Seller and the Manager in writing subject to compliance with the applicable laws, rules and regulations), the obligations and liabilities of the Company and the Seller under the Subscription shall be null and void and neither the Company nor the Seller shall have any claim against the other for costs, damages, compensation or otherwise.

Closing of the Subscription

Completion of the Subscription will take place on the second Business Day following the date upon which the last of the above conditions is fulfilled, provided it shall take place on a day no later than a day falling 14 days after the date of the Placing and Subscription Agreement, or such other day as agreed by the Seller and the Company in writing and in compliance with the Listing Rules. If the Subscription is not completed within 14 days after the date of the Placing and Subscription Agreement, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval of the independent Shareholders.

EFFECT ON THE SHARE CAPITAL

Conversion of the Bonds

The following table illustrates, so far as is known to the Directors, the existing shareholding structure as at the date of this announcement and the shareholding structure assuming the Bonds are fully converted into 704,827,272 Conversion Shares at the initial Conversion Price of each (without taking into account the effect of the stock lending arrangement below); on the assumptions that (a) there will be no other change to the shareholding structure of the Company from the date of this announcement until the completion of the conversion of the Bonds in full, save for the issue of the Shares as a result of the conversion of the Bonds in full (as the case may be), and (b) the Bondholders do not and will not hold any Shares other than the Shares as a result of the conversion of the Bonds. The Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date.

	As at the date of this announcement		Assuming the Bonds are fully converted into Conversion Shares at the initial Conversion Price of HK\$3.85 each	
	Number of issued Shares	% of issued share capital of the Company	Number of issued Shares	% of enlarged share capital of the Company
Shareholder				
Hope Education Investment Limited ⁽¹⁾	4,140,948,240	56.79%	4,140,948,240	51.78%
Public Shareholders:				
Bondholders	—	—	704,827,272	8.81%
Other Shareholders	3,150,981,535	43.21%	3,135,250,872	39.40%
Total	7,291,909,775	100.00%	7,996,737,047	100.00%

Note:

- (1) Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited. Maysunshine Limited is owned as to 96.00% by Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司). Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin (陳育新) and 40% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) is owed as to 52.20% by Zhang Qiang (張強).

Thus, Maysunshine Limited, Wang Huiwu (汪輝武), Tequ Group A Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang (張強), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 4,140,948,240 Shares.

The Placing and the Subscription

The following table illustrates, so far as is known to the Directors, the existing shareholding structure as at the date of this announcement and the shareholding structure after the Placing and the Subscription, assuming (i) no Shares will be issued pursuant to the Share Option Scheme of the Company or otherwise, save for the issue of the Subscription Shares, (ii) no Shares will be purchased by the Company, (iii) no Shares will be purchased by Hope Education Investment Limited and its associates, (iv) no Conversion Shares will be issued, and (v) the Placing Shares are placed in full, in each case (where applicable) between the date of this announcement and the completion of the Subscription. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

	As at the date of this announcement		Immediately after the completion of the Placing, but before the completion of the Subscription		Immediately after the completion of the Placing and the Subscription	
	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>
Shareholder						
Hope Education Investment Limited ⁽¹⁾	4,140,948,240	56.79%	3,460,948,240	47.46%	4,140,948,240	51.94%
Public Shareholders:						
Other Shareholders	3,150,981,535	43.21%	3,830,981,535	52.54%	3,830,981,535	48.06%
Total	<u>7,291,909,775</u>	<u>100.00%</u>	<u>7,291,909,775</u>	<u>100.00%</u>	<u>7,971,909,775</u>	<u>100.00%</u>

Notes:

- (1) Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited. Maysunshine Limited is owned as to 96.00% by Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司). Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin (陳育新) and 40% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) is owed as to 52.20% by Zhang Qiang (張強).

Thus, Maysunshine Limited, Wang Huiwu (汪輝武), Tequ Group A Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang (張強), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 4,140,948,240 Shares.

Conversion of the Bonds, the Placing and the Subscription

The following table illustrates, so far as is known to the Directors, the existing shareholding structure as at the date of this announcement and the shareholding structure after the Placing and the Subscription and assuming the Bonds are fully converted into 704,827,272 Shares at the initial Conversion Price of each (without taking into account the effect of the stock lending arrangement below).

	As at the date of this announcement		Immediately after the completion of the Placing, but before the completion of the Subscription ⁽¹⁾		Immediately after the completion of the Placing and the Subscription ⁽¹⁾		Assuming the Bonds are fully converted into Shares at the initial Conversion Price of HK\$3.85 each ⁽²⁾	
	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>
Shareholder								
Hope Education Investment Limited ⁽³⁾	4,140,948,240	56.79%	3,460,948,240	47.46%	4,140,948,240	51.94%	4,140,948,240	47.72%
Public Shareholders:								
Bondholders	–	–	–	–	–	–	704,827,272	8.12%
Other Shareholders	3,150,981,535	43.21%	3,830,981,535	52.24%	3,830,981,535	48.06%	3,830,981,535	44.15%
Total	7,291,909,775	100.00%	7,291,909,775	100.00%	7,971,909,775	100.00%	8,676,737,407	100.00%

Notes:

- (1) This assumes (i) no Shares will be issued pursuant to the Share Option Scheme or otherwise, no Shares will be purchased by the Company, (ii) no Shares will be purchased by Hope Education Investment Limited and its associates and (iii) no Conversion Shares has been issued under the Bonds, in each case between the date of this announcement and the completion of the Subscription, save for the issue of the Subscription Shares, and the Placing Shares are placed in full. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.
- (2) This assumes (i) no Shares will be issued pursuant to the Share Option Scheme or otherwise, no Shares will be purchased by the Company and (ii) no Shares will be purchased by Hope Education Investment Limited and its associates, in each case between the date of this announcement and the completion of the Subscription, save for the issue of the Subscription Shares, the Placing Shares are placed in full, and the Bonds are fully converted into Conversion Shares. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.
- (3) Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited. Maysunshine Limited is owned as to 96.00% by Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司). Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin (陳育新) and 40% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) is owed as to 52.20% by Zhang Qiang (張強).

Thus, Maysunshine Limited, Wang Huiwu (汪輝武), Tequ Group A Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang (張強), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 4,140,948,240 Shares

USE OF PROCEEDS OF THE BONDS AND THE SUBSCRIPTION

The estimated net proceeds of the issue of the Bonds, after deduction of estimated expenses payable in connection with issue of the Bonds, will amount to approximately US\$346.5 million.

The estimated net proceeds from the Subscription (after deducting all fees, costs and expenses properly incurred by the Seller and the Company (including the Manager's commission, the stamp duty, the Stock Exchange trading fee and the SFC transaction levy) to be borne by the Company, and other expenses incurred by the Company, in connection with the Placing and the Subscription) are expected to be approximately HK\$1,888 million. The estimated net Subscription Price, after deducting such fees, costs and expenses, is therefore approximately HK\$2.78 per Subscription Share.

The Company intends to use the estimated net proceeds of the Bonds and the Subscription primarily for business expansion, working capital needs and for general corporate purposes. In particular, the Company intends to use part of the net proceeds from the Subscription for potential acquisitions of new schools. As of the date of this announcement, no allocation plan of such net proceeds has been formulated, and the Company has not identified any specific acquisition targets. The Company will make announcement(s) in respect of any such acquisition(s) in compliance with the requirements of the Listing Rules where appropriate.

REASONS FOR THE ISSUE OF THE BONDS, THE PLACING AND THE SUBSCRIPTION

The Directors consider that the issue of the Bonds represents an opportunity to potentially enlarge and diversify the shareholder base of the Company, to improve the liquidity position of the Company, to reduce the financing costs of the Company and to raise further working capital for the Company. The Board currently intends to use the funds as mentioned above and considers it will facilitate the overall development and expansion of the Company. The Directors also consider the terms of the CB Subscription Agreement to be fair and reasonable in the interests of the Company and the Shareholders as a whole and that the CB Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Issuer, the Company and the Sole Lead Manager.

The Placing and the Subscription are being undertaken to further enlarge the Shareholders' equity base of the Company, optimize the capital structure of the Company and support a healthy and sustainable development of the Company. The Directors also consider the terms of the Placing and Subscription Agreement to be fair and reasonable in the interests of the Company and the Shareholders as a whole and that the Placing and Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company, the Seller and the Manager.

GENERAL MANDATE FOR THE ISSUE OF THE CONVERSION SHARES AND THE SUBSCRIPTION SHARES

By a resolution of the Shareholders passed at the annual general meeting held on 29 January 2021, the Company granted the General Mandate to the Directors to allot, issue and deal with up to 20% of the total number of issued shares of the Company, being 1,455,239,822 Shares. The Subscription Shares and the Conversion Shares will be issued under the General Mandate. At the date of this announcement, no Shares have been issued under the General Mandate.

EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

On 6 August 2020, the Company entered into a placing agreement with Citigroup Global Markets Limited, for the placing of 465,000,000 Shares. Details of this placing agreement was disclosed in the Company's announcement dated 6 August 2020.

Save as the above and the proposed issue of Bonds disclosed in this announcement, the Company did not engage in any equity fund raising activities in the last 12 months.

INFORMATION ABOUT THE GROUP

The Company is an investment holding company and its subsidiaries, including its consolidated affiliated entities are principally engaged in private formal higher education.

GENERAL

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds, the Subscription Shares and the Conversion Shares.

The Bonds, the Subscription Shares and the Conversion Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will only be offered and sold outside the United States in reliance on Regulation S under the Securities Act.

None of the Bonds will be offered to the public in Hong Kong.

DEFINITIONS

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

“Agency Agreement”	the paying, conversion and transfer agency agreement to be entered into between the Company, the Trustee and the agents named therein;
“Board”	the board of Directors;
“Bondholder(s)”	the person(s) in whose name a Bond is registered;
“Bonds”	zero coupon convertible bonds due 2026 in an aggregate principal amount of US\$350,000,000;
“business day”	for the purpose of the terms of the Bonds, shall mean a day other than a Saturday, Sunday or public holiday on which banks are open for business in the city in which the specified office of the Registrar and Transfer Agent or the Conversion Agent with whom a Certificate is deposited in connection with a transfer, redemption or conversion, is located;
“CB Subscription Agreement”	the subscription agreement entered into between the Company and the Manager dated 22 February 2021 in respect of the issue of the Bonds;
“CB Closing Date”	2 March 2021;

“Change of Control”	<p>means the occurrence of one or more of the following events:</p> <ol style="list-style-type: none"> i. any person or persons acting together acquires Control of the Company if such person or persons does not or do not have, and would not be deemed to have, Control of the Company on the CB Closing Date; ii. the Controlling Shareholders, together with any Voting Rights controlled directly or indirectly by the Controlling Shareholders, including through any voting consent agreement, cease to directly or indirectly in aggregate hold or own 30 per cent. or more of the issued ordinary share capital of the Company; iii. the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person or persons acting together unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or successor entity; or iv. the Company ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer;
“Company”	Hope Education Group Co., Ltd., a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1765);
“Conditions”	the terms and conditions of the Bonds;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Contracts”	the Subscription Agreement, the Agency Agreement and the Trust Deed;
“Control”	means the acquisition or control of more than 50% of the Voting Rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;
“Controlling Shareholders”	means Hope Education Investment Limited, Wang Huiwu (汪輝武), Chen Yuxin (陳育新), Zhao Guiqin (趙桂琴) and Zhang Qiang (張強);
“Conversion Date”	the conversion date in respect of the Bonds;

“Conversion Price”	the price per Share at which the Shares will be issued upon conversion of the Bonds, with the initial conversion price being HK\$3.85 per Conversion Share (subject to adjustments);
“Conversion Ratio”	as at any date of determination, US\$1,000 principal amount of the Bonds divided by the Conversion Price then in effect (translated into U.S. dollars at the Fixed Exchange Rate);
“Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Bonds;
“Credit Suisse”	Credit Suisse (Hong Kong) Limited;
“Current Market Price”	in respect of a Share at a particular date, the arithmetic average of the Closing Price for one Share (being a Share carrying a full entitlement to dividends) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date;
“Directors”	the directors of the Company;
“Early Redemption Amount”	for each US\$1,000 principal amount of the Bonds, is the amount determined to represent for the Bondholder on the relevant date for determination of the Early Redemption Amount a gross yield of 1.00% per annum calculated on a semi-annual basis;
“Encumbrance”	a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person or any other arrangement with similar economic effect;
“Fixed Exchange Rate”	HK7.7531 = US\$1.00;
“General Mandate”	the general mandate of the Company granted to the Directors at the annual general meeting held on 29 January 2021, which granted the general mandate to the Directors to allot, issue and deal with up to 20% of the total number of issued shares of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules;
“Issuer”	Tequ Mayflower Limited, a company incorporated with limited liability in the Cayman Islands, which is a wholly-owned subsidiary of the Company;
“Last Trading Day”	22 February 2021, being the last full Trading Day immediately before the time at which the CB Subscription Agreement was signed;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Manager”	Credit Suisse;
“Maturity Day”	2 March 2026;
“person”	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include (i) the members of the Board or any other governing board of the Company or (ii) the Company’s direct or indirect subsidiaries;
“Placing”	the placement of 680,000,000 Placing Shares to independent investors at the Placing Price;
“Placing and Subscription Agreement”	the placing and subscription agreement entered into between the Company, the Seller and the Manager dated 22 February 2021 in respect of the Placing and the Subscription;
“Placing Closing Date”	the closing day of the Placing as specified in the Placing and Subscription Agreement;
“Placing Price”	HK\$2.80;
“Placing Shares”	680,000,000 existing Shares owned by the Seller and to be sold pursuant to the Placing and Subscription Agreement;
“PRC”	the People’s Republic of China;

“Relevant Indebtedness”	any future or present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over the counter or on any other securities market outside of the PRC (whether or not initially distributed by way of private placement);
“Securities Act”	the US Securities Act of 1933, as amended;
“Securities Lending Agreement”	the Letter Agreement Authorizing Stock Borrow dated 22 February 2021 entered into between Credit Suisse AG, Hong Kong Branch and Hope Education Investment Limited;
“Seller”	Hope Education Investment Limited, a company incorporated in the British Virgin Islands with limited liabilities;
“Share Option Scheme”	means the Company’s existing publicly disclosed employee option share scheme;
“Shareholder(s)”	the holder(s) of the Shares;
“Shares”	initially the ordinary shares of par value US\$0.00001 each of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company as adjusted under the Conditions;
“Subscription”	the subscription of the Subscription Shares by the Seller pursuant to the Placing and Subscription Agreement;
“Subscription Shares”	an aggregate of 680,000,000 new Shares to be issued by the Company and subscribed by the Seller under the Placing and Subscription Agreement;
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;

“subsidiary(ies)”	(a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the Cayman Islands or Hong Kong laws, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person as a subsidiary;
“Trading Day”	a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days;
“Trust Deed”	the trust deed to be entered into between the Company and the Trustee;
“Trustee”	The Bank of New York Mellon, London Branch, the trustee to be appointed in relation to the Bonds;
“US” or “United States”	the United States of America;
“Voting Rights”	the right generally to vote at a general meeting of Shareholders of the Company;
“%”	per cent.

By order of the Board
Hope Education Group Co., Ltd.
Chairman
Xu Changjun

Hong Kong, 22 February 2021

As at the date of this announcement, the executive Directors are Mr. Xu Changjun, Mr. Wang Huiwu and Mr. Li Tao; the non-executive Directors are Mr. Wang Degen, Mr. Tang Jianyuan and Mr. Lu Zhichao; and the independent non-executive Directors are Dr. Gao Hao, Mr. Chen Yunhua and Mr. Zhang Jin.