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枫叶教育

China Maple Leaf Educational Systems Limited

中國楓葉教育集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1317)

**PROPOSED ISSUE OF
US\$125 MILLION 2.25% CONVERTIBLE BONDS DUE 2026
UNDER GENERAL MANDATE**

**Sole Global Coordinator and
Sole Bookrunner**



* For identification purposes only

The Board is pleased to announce that on 12 January 2021 (after trading hours), the Company entered into the Subscription Agreement with the Manager, under which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in an aggregate principal amount of US\$125 million, on the terms and subject to the conditions set out therein. The New Shares will rank *pari passu* and carry the same rights and privileges in all respects with the Shares then in issue on the relevant Registration Date. The Bonds shall at all times rank *pari passu* and without any preference or priority among themselves.

The estimated net proceeds from the Subscription of the Bonds, after deduction of commission and expenses, amount to approximately US\$123.1 million. The Company intends to use the net proceeds from the Subscription in the manner detailed in the section headed “Proposed Use of Net Proceeds” below.

The initial Conversion Price (subject to adjustments) will be HK\$2.525 per Share, representing:

- (1) approximately 25% premium to the closing price of HK\$2.020 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (2) approximately 22.81% premium to the average closing price of HK\$2.056 per Share for the last five consecutive Trading Days up to and including the date of the Subscription Agreement.

Based on the initial Conversion Price (subject to adjustments) of HK\$2.525 per Share and assuming full conversion of the Bonds, the Bonds will be convertible into approximately 383,881,188 New Shares (subject to adjustments), representing:

- (1) approximately 12.82% of the existing issued share capital of the Company as at the date of this announcement; and
- (2) approximately 11.36% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares under the Bonds.

The New Shares are to be issued under the General Mandate. The issue of the Bonds is not subject to the specific approval of the Shareholders.

The New Shares have a nominal value of US\$191,940.59 and a market value of HK\$775,439,999.76, based on the closing price of HK\$2.020 on the date of the Subscription Agreement. The net price of each New Share, based on the estimated net proceeds of approximately US\$123.1 million and assuming the full conversion of the Bonds at the initial Conversion Price, is estimated to be approximately HK\$2.487.

An application will be made by the Company to the Stock Exchange for the listing of the Bonds on the Stock Exchange. An application will also be made for the listing of the New Shares on the Stock Exchange.

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 (Cap. 32). The Bonds were offered by way of debt issue to professional investors only.

The Bonds and the New Shares have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and no public offering will be made in the United States. Neither the Bonds nor the New Shares may be offered or sold within the United States absent registration under, or an applicable exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and applicable state or local securities laws of the United States.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “THE SUBSCRIPTION AGREEMENT” below for further information.

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

THE SUBSCRIPTION AGREEMENT

Date

12 January 2021

Parties

- (i) the Company as the Issuer; and
- (ii) UBS AG Hong Kong Branch as the Manager.

Subscription

Pursuant to the Subscription Agreement, the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in an aggregate principal amount of US\$125 million, on the terms and subject to the conditions set out therein. To the best of the Directors’ knowledge, information and belief, the Manager is a third party independent of the Company and is not connected with the Company or its connected persons (as defined in the Listing Rules).

Manager

The Manager has informed the Company that it intends to offer and sell the Bonds to no less than six (6) independent placees (who will be independent individual, corporate and/or institutional investors). The Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities outside the United States in

reliance upon Regulation S under the Securities Act. None of the Bonds will be offered to the retail public in Hong Kong. To the best of the Directors' knowledge, information and belief as at the date of this announcement, each of the placees of the Bonds (and their respective ultimate beneficial owners) is a third party independent of the Company and is not connected with the Company or its connected persons (as defined in the Listing Rules).

Conditions Precedent

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

- (a) **Due Diligence:** the Manager being satisfied with the results of its due diligence investigations with respect to the Company and its subsidiaries and the Offering Circular shall have been prepared in form and content satisfactory to the Manager;
- (b) **Other Contracts:** on or before the Closing Date, there having been delivered to the Manager each of the Contracts other than the Subscription Agreement, duly executed by each party thereto other than the Manager in the form and substance as agreed between the Company and the Manager;
- (c) **Shareholder's Lock-up:** the Manager shall have received a lock-up agreement from Sherman Investment Holdings Limited in form and substance satisfactory to the Manager, an agreed form of which is set forth in the Subscription Agreement;
- (d) **Auditors' Letters:** upon the Publication Date and on the Closing Date, there having been delivered to the Manager letters, in form and substance satisfactory to the Manager, dated the Publication Date in the case of the first letter and dated the Closing Date in the case of the subsequent letter, and addressed to the Manager from Deloitte Touche Tohmatsu, independent auditors to the Company;
- (e) **Compliance:** at the Closing Date:
 - (i) the representations and warranties of the Company in the 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) the Company having performed all of its obligations and undertakings under the Subscription Agreement to be performed on or before such date; and
 - (iii) there having been delivered to the Manager a certificate in the form provided in the Subscription Agreement, dated as of such date, of a duly authorised officer of the Company to such effect;
- (f) **NDRC Pre-issue Registration:** 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 the National Development and Reform Commission (the "NDRC"), dated 4 August 2020, having been delivered to the Manager;

- (g) **Other consents:** on or prior to the Closing Date, there shall have been delivered to the Manager copies of the resolutions of the Board approving the issue of the Bonds and the performance of its obligations under the Bonds and all transactions contemplated under the Contracts;
- (h) **Listing:** the Stock Exchange having agreed to list the Bonds and the New Shares upon conversion of the Bonds; and
- (i) **Legal Opinions:** on or before the Closing Date, there having been delivered to the Manager opinions, in form and substance reasonably satisfactory to the Manager, dated the Closing Date, as the case may be, of certain legal opinions on the laws of various jurisdictions, and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Manager may require.

The Manager may, at its sole discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the conditions precedent other than item (h) above.

Shareholder's Lock-up Undertaking

Sherman Investment Holdings Limited has undertaken that, for a period commencing from the date of the lock-up undertaking to 90 calendar days after the Closing Date, without the prior written consent of the Manager, it will not:

- (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 of the 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 the Lock-up Shares or other instruments representing interests in the 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 ownership of the 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,
- except for the transfer of Shares pursuant to the Securities Lending Agreement.

Company's Lock-up Undertaking

Neither the Company, any member of the Group nor any person acting on its 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, 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 Subscription Agreement and the date which is 90 calendar days after the Closing Date (both dates inclusive); except for (i) the Bonds and the New Shares to be issued on conversion of the Bonds, (ii) the grant of options under the Share Option Schemes and Shares to be issued on exercise of the options granted under the Share Option Schemes and (iii) the Shares to be issued under the Employee Share Purchase Plan.

Termination

Notwithstanding any other provisions contained in the Subscription Agreement, the Manager shall be entitled (but not bound), by written notice to the Company given at any time prior to payment of the Subscription Price to the Company, elect to treat such event, breach or failure as terminating the Subscription Agreement in any of the following circumstances:

- (a) 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 Subscription Agreement or any failure to perform any of the Company's undertakings or agreements in the Subscription Agreement;
- (b) if any of the conditions precedent specified in the Subscription Agreement has not been satisfied or waived by the Manager on or prior to the Closing Date;
- (c) if in the opinion of the Manager, there shall have been, since the date of the 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 materially the success of the issue of the Bonds;
- (d) 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 Shanghai Stock Exchange, the Singapore Stock Exchange and/or the 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 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, Singapore,

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, Singapore or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Bonds and the New 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

- (e) 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.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

Issuer:	The Company.
Form and Denomination:	The Bonds are 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 represented by a global certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking S.A.
Issue Price:	100% of the principal amount of the Bonds.
Issue Size:	The aggregate principal amount of the Bonds will be US\$125 million.
Maturity Date:	27 January 2026.
Interest:	2.25% per annum, payable semi-annually in arrear on 27 January and 27 July in each year.
Conversion Right:	Subject to the Conditions, each Bond shall entitle the Bondholder to convert such Bond into New Shares credited as fully paid at any time during the Conversion Period referred to below. The number of New Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted (translated into HKD at the Fixed Exchange Rate) by the Conversion Price in effect on the relevant Conversion Date.

Conversion Price: The Conversion Price at which New Shares will be issued upon conversion will initially be set at HK\$2.525 per Share.

The Conversion Price will be subject to adjustment for, among other things, upon the occurrence of consolidation, subdivision, redesignation or reclassification, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than 95 per cent. of the Current Market Price per Share, other issues at less than 95 per cent. of the Current Market Price per Share, modification of rights of conversion at less than 95 per cent. of the Current Market Price per Share, other offers to Shareholders and certain other events as provided in the Conditions (collectively, the “**Adjustment Events**”).

Adjustment upon Change of Control: If a Change of Control shall occur, the Company shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) in accordance with the Conditions within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control 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 Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

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

Where:

“**NCP**” means the new Conversion Price after such adjustment;

“**OCP**” means the Conversion Price in effect before such adjustment on the relevant Conversion Date;

“**CP**” means 25.0% expressed as a fraction;

“**c**” means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

“**t**” means the number of days from and including the Closing Date to but excluding the Maturity Date.

Conversion Ratio:	The Calculation Amount divided by the applicable Conversion Price then in effect (translated into USD at the Fixed Exchange Rate).
Conversion Period:	At the option of the Bondholder, at any time (a) on or after 9 March 2021 up to the close of business (at the place where the certificate evidencing the Bonds are deposited for conversion) on the seventh day prior to the Maturity Date (both days inclusive), (b) if the Bonds shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the Bondholders, up to the close of business (at the place aforesaid) on the business day prior to the giving of such notice.
Cash Settlement Option	Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, in lieu of delivery of some or all of the Shares required to be delivered upon exercise of a Conversion Right, the Company shall have the option to pay to the relevant Bondholder an amount of cash in USD (which shall be determined by the Company using the Prevailing Rate as stipulated in the Conditions on the date of the notice of the exercise of the Cash Settlement Option provided by the Company) equal to the product of (i) the number of the Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the conversion notice applies, and in respect of which the Company has elected the Cash Settlement Option and (ii) the arithmetic average of the volume weighted average price of the Shares for each day during the 20 Stock Exchange Business Days immediately after the date of the notice of the exercise of the Cash Settlement Option provided by the Company.
Ranking of the New Shares:	The New Shares will be fully paid, will in all respects rank <i>pari passu</i> with and carry the same rights and privileges in all respects with the fully paid Shares then in issue on the relevant date the holder is registered as such in the Company's register of members (the " Registration Date "), except for any right excluded by mandatory provisions of applicable law and except that a holder of Shares issued on conversion of the Bonds shall not be entitled to receive any rights the record date for which precedes the relevant Registration Date.

Redemption at Maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at 105.38% of its principal amount together with accrued and unpaid interest thereon on the Maturity Date.
Redemption at the Option of the Company:	<p>On giving not less than 30 nor more than 60 days' notice (an "Optional Redemption Notice") to the Trustee and the Bondholders in accordance with the Conditions (which notice will be irrevocable), at any time after 11 February 2024 but no later than seven Hong Kong business days prior to the Maturity Date, the Bonds may be redeemed by the Company in whole, but not in part on the date specified in the Optional Redemption Notice (the "Optional Redemption Date") at the Early Redemption Amount together with any interest accrued but unpaid to but excluding the Optional Redemption Date, provided that the Closing Price of the Shares for any of 20 Trading Days out of 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the applicable Early Redemption Amount per Calculation Amount divided by the Conversion Ratio in effect on such Trading Day.</p> <p>On giving not less than 30 nor more than 60 days' Optional Redemption Notice to the Trustee and the Bondholders in accordance with the Conditions, the Bonds may be redeemed by the Company in whole, but not in part, on the Optional Redemption Date at the Early Redemption Amount together with interest accrued but unpaid to but excluding such date, at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued.</p>

Redemption for Taxation
Reasons:

The Bonds may be redeemed, at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (the "**Tax Redemption Notice**") to the Bondholders in accordance with the Conditions, on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at the Early Redemption Amount together with interest accrued but unpaid to but excluding such date, if the Company determines and certifies to the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay additional tax amounts as provided or referred in the Conditions as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the PRC 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 12 January 2021, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.

If the Company issues the Tax Redemption Notice, each Bondholder will have the right to elect that his or her Bonds shall not be redeemed as provided in the Conditions, whereupon no additional tax amounts shall be payable pursuant to the Conditions and payment of all amounts shall be made subject to the deduction or withholding of any Cayman Islands, PRC or Hong Kong taxation required to be withheld or deducted.

Redemption at the Option of
the Bondholders:

Following the occurrence of a Relevant Event (as defined below), each Bondholder will have the right at such holder's option to require the Company to redeem all or some only of such Bondholder's Bonds on the relevant date at the Early Redemption Amount together with interest accrued but unpaid to but excluding such date.

A “**Relevant Event**” occurs 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 the Stock Exchange or, if applicable, an alternative stock exchange; or
- (ii) less than 25% of the Company’s total number of issued Shares are held by public; or
- (iii) when there is a Change of Control; or
- (iv) when (a) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof (a “**change in law**”) that results in (x) the Group (as in existence immediately subsequent to such change in law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such change in law) as of the last date of the period described in the Company’s consolidated financial statements for the most recent fiscal year or half year and (y) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law) in the same manner as reflected in the Company’s consolidated financial statements for the most recent fiscal year or half year and (b) the Company has not furnished to the Trustee, prior to the date that is 3 months after the date of the change in law, an opinion from an independent financial adviser or an independent legal counsel addressed to the Trustee stating either (x) that the Company is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law), taken as a whole, as reflected in the Company’s consolidated financial statements for the most recent fiscal year or half year (including after giving effect to any corporate restructuring or reorganisation plan of the Group) or (y) that such change in law would not materially adversely affect the Company’s ability to make principal and interest payments on the Bonds when due or to convert the Bonds in accordance with the Conditions.

The Bondholder will have the right at such holder's option, to require the Company to redeem all or some only of such holder's Bonds on 27 January 2024 (the "**Put Option Date**") at 103.12 per cent. of the principal amount together with interest accrued but unpaid to but excluding such date. To exercise such option, the Bondholder must deposit at the specified office of any paying agent under the Agency Agreement a duly completed and signed put notice, in the form for the time being current, obtainable from the specified office of any paying agent under the Agency Agreement, together with the certificate evidencing the Bonds to be redeemed by not more than 60 nor less than 30 days prior to the Put Option Date. A put notice, once delivered, shall be irrevocable without the Company's consent. The Company shall redeem the Bonds the subject of a put notice on the Put Option Date.

Negative Pledge:	Applicable to the Company and certain subsidiaries on any Relevant Indebtedness (as defined in the Conditions).
Transferability:	The Bonds are freely transferable subject to the Conditions.
Status:	The Bonds constitute direct, unconditional, unsubordinated and (subject to the Conditions) unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without preference or priority among themselves.

The Bonds are convertible in the circumstances set out in the terms and conditions of the Bonds into New Shares at the Conversion Price then applicable.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of the Bonds on the Stock Exchange. An application will also be made for the listing of the New Shares on the Stock Exchange.

SECURITIES LENDING AGREEMENT

In connection with the proposed issue of the Bonds, the Securities Lending Agreement has been entered into on 12 January 2021, to allow the lender, Sherman Investment Holdings Limited, to provide securities lending to the borrower, UBS AG, London Branch, an aggregate of up to 330,000,000 Shares, upon and subject to the terms and conditions stated in the Securities Lending Agreement.

GENERAL MANDATE TO ISSUE THE NEW SHARES

The New Shares will be issued under the General Mandate, subject to the limit of up to 599,064,184 Shares (representing 20% of the issued share capital of the Company on the date on which the General Mandate was granted). The issue of the Bonds is not subject to the specific approval of the Shareholders. As at the date of this announcement, (i) no portion of the General Mandate has been utilised; (ii) the Company has not allotted and issued any Shares pursuant to the General Mandate, and (iii) the General Mandate is sufficient for the allotment and issue of the New Shares.

The New Shares have a nominal value of US\$191,940.59 and a market value of HK\$775,439,999.76, based on the closing price of HK\$2.020 on the date of the Subscription Agreement. The net price of each New Share, based on the estimated net proceeds of approximately US\$123.1 million and assuming the full conversion of the Bonds at the initial Conversion Price, is estimated to be approximately HK\$2.487.

GENERAL INFORMATION

The Company was established in 1995 in Dalian in the PRC. It operates one of the largest networks of private international schools in the PRC. As at 15 October 2020, the Group operates 114 schools including high schools, middle schools, elementary schools, preschools and foreign national schools located in the PRC, Canada, Malaysia, Singapore and Australia with more than 44,300 students enrolled in total.

The Company launched the new Maple Leaf World School Program (the “**World School Program**”). Implementation of the World School Program will take place over a 3-year period commencing from September 2020. The Company’s first batch of graduates from the World School Program will receive the Maple Leaf High School Graduation Diplomas in June 2023, endorsed by Cognia (formerly known as AdvancED), which is the largest school accrediting agency in the world. The Maple Leaf World School Program has been developed for five years by Eastern and Western education specialists and meeting high academic and curriculum standards. The Maple Leaf World School Program cooperates with two of the world’s largest educational institutions, UK NARIC and Cognia, which provides further assurance that Maple Leaf graduates will be able to transition seamlessly into universities across the globe. Regarding the Company’s relationship with UK NARIC, the Company has signed an agreement with UK NARIC in which they have agreed to work with the Company and benchmark the Company’s World School Program with the UK A-Level, Canada (BC), and USA (a State of the Company’s choice). The Company will implement the World School Program to grade 10 students with their assistance and assessment in the current 2020–21 school year, grade 11 students in the 2021–22 school year and grade 12 students in the 2022–23 school year.

REASONS FOR AND THE BENEFITS OF THE SUBSCRIPTION

The Directors are of the view that the issue of the Bonds can provide the Company with additional funds at lower funding cost for, repayment of existing borrowings, acquisitions and general corporate purposes. The terms of the Subscription Agreement and the Conditions were arrived at after arm’s length negotiations between the parties to the Subscription Agreement with reference to the prevailing trading prices of the Shares and the financial conditions of the Company. The Directors (including the independent non-

executive Directors) consider that the terms of the Subscription Agreement and the Conditions are made on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned, and the issue of the Bonds is in the interests of the Company and the Shareholders as a whole.

CAPITAL RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not raised any funds by issuing equity securities in the past twelve months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates: (1) the existing shareholding structure as at the date of this announcement and (2) the shareholding structure assuming the Bonds are fully converted into New Shares at the Conversion Price of HK\$2.525 each, on the assumptions that (a) there will be no other change to the share capital of the Company from the date of this announcement until completion of the conversion of the Bonds in full, save for the issue of the New 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 New Shares as a result of the conversion of the Bonds.

Shareholder	As at the date of this announcement		Assuming the Bonds are fully converted into New Shares at the Conversion Price of HK\$2.525	
	No. of Shares	% of issued share capital of the Company (approximate)	No. of Shares	% of enlarged share capital of the Company (approximate)
Sherman Investment Holdings Limited	1,483,639,818	49.53%	1,483,639,818	43.91%
Bondholders	0	0.00%	383,881,188	11.36%
Other Shareholders	<u>1,511,681,102</u>	<u>50.47%</u>	<u>1,511,681,102</u>	<u>44.73%</u>
Total	<u>2,995,320,920</u>	<u>100.00%</u>	<u>3,379,202,108</u>	<u>100.00%</u>

PROPOSED USE OF NET PROCEEDS

The estimated net proceeds from the Subscription of the Bonds, after deduction of commission and expenses, amount to approximately US\$123.1 million. The net proceeds from the Subscription will be used for repaying existing borrowings, acquisitions and general corporate purposes.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Affiliate”	with respect to any person, any other person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person. For the purposes of this definition, the term “control” (including, with correlative meanings, the terms “ controlling ”, “ controlled by ” and “ under common control with ”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise
“Agency Agreement”	a paying, conversion and transfer agency agreement to be entered into between the Company, the Trustee, the principal paying agent, conversion agent, transfer agent and registrar named therein, as amended and/or supplemented from time to time
“Board”	the board of Directors of the Company
“Bond(s)”	an aggregate principal amount of US\$125 million convertible bonds due 2026 to be issued by the Company, convertible into the New Shares
“Bondholder(s)”	holder(s) of the Bond(s) from time to time
“Calculation Amount”	US\$1,000 in principal amount of the Bonds
“Capital Stock”	with respect to any person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such person, whether outstanding on the Closing Date or issued thereafter
“Change of Control”	<p>the occurrence of one or more of the following events:</p> <ul style="list-style-type: none">(i) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person or persons, acting together, except where the Permitted Holders control more than 50 per cent. of the total voting power of the Voting Stock of such Person(s);(ii) the Permitted Holders are collectively the beneficial owners of less than 35 per cent. of the total voting power of the Voting Stock of the Company; or

(iii) any person or group is or becomes the beneficial owner, directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders

“Closing Date”	27 January 2021, or such later date as the Company and the Manager may agree
“Closing Price”	in respect of a Share for any Trading Day, the closing price published in the Daily Quotation Sheet published by the Stock Exchange or, as the case may be, the equivalent quotation sheet of an alternative stock exchange for such Trading Day
“Company”	China Maple Leaf Educational Systems Limited, a limited liability company incorporated in the Cayman Islands
“Conditions”	the terms and conditions in relation to the Bonds
“Contracts”	the Subscription Agreement, the Trust Deed and the Agency Agreement
“Conversion Date”	the conversion date in respect of the Bonds, which must fall at a time when the Conversion Right attaching to the Bonds is expressed in the Conditions to be exercisable
“Conversion Price”	the price at which the New Shares will be issued upon conversion of the Bonds (subject to adjustments in the manner provided in the Conditions)
“Conversion Right”	the right of a Bondholder to convert its Bond(s) into New Shares credited as fully paid subject to the Conditions
“Current Market Price”	<p>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 (and including) the Trading Day immediately preceding such date; provided that if at any time during the said 20 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:</p> <p>(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or</p>

- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share

“Director(s)”	director(s) of the Company
“Early Redemption Amount”	for each US\$1,000 principal amount of a Bond, the amount determined to represent for the Bondholder on the relevant date for determination of the Early Redemption Amount a gross yield of 3.25% per annum calculated on a semi-annual basis, which is calculated in accordance with the Conditions
“Employee Share Purchase Plan”	the proposed employee share purchase plan as disclosed by the Company in an announcement published on the Stock Exchange dated 24 June 2020
“Fair Market Value”	<p>with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Investment Bank will not be required to determine the fair market value where:</p> <ul style="list-style-type: none">(i) the capital distribution is paid in cash, in which case the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend;(ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash; and

(iii) options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank), in which case the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of 10 trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded

Such amounts, if expressed in a currency other than Hong Kong dollars shall be translated into Hong Kong dollars at the Prevailing Rate on such date

In addition, in the case of proviso (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit

“Fixed Exchange Rate”	means the FX rate (HK\$ per US\$1.00) based on Bloomberg’s “BFIX” US\$HKD Spot Mid Price as at 12:00 p.m. (Hong Kong time) on 12 January 2021, being HK\$7.7544 per US\$1.00
“General Mandate”	the general mandate granted to the Directors pursuant to ordinary resolution of the Shareholders the Company passed on 22 January 2020 to allot, issue and deal with up to 599,064,184 Shares or options, warrants or similar rights to subscribe for such Shares
“Group”	the Company, its subsidiaries and its consolidated affiliated entities
“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
“Independent Investment Bank”	an independent investment bank or independent financial adviser of international repute (acting as an expert) selected by the Company and notified in writing to the Trustee
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Lock-up Shares”	1,153,639,818 Shares representing 38.51% of the existing issued share capital of the Company held directly (or through nominees) or indirectly through trusts and/or companies controlled by Sherman Investment Holdings Limited
“Manager”	UBS AG Hong Kong Branch
“Maturity Date”	27 January 2026, being the date on which the Bonds mature
“New Shares”	the Shares to be issued on conversion of the Bonds
“Offering Circular”	the offering circular to be issued by the Company in respect of the Bonds and the listing of the Bonds on the Stock Exchange
“Permitted Holders”	any or all of the following: <ul style="list-style-type: none"> (i) Mr. Shu Liang Sherman Jen; (ii) any Affiliate of the persons specified in paragraph (i) above; and (iii) any person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the by persons specified in paragraphs (i) and (ii) above
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prevailing Rate”	in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined
“Publication Date”	the date of the Offering Circular, which shall be no later than three business days prior to the Closing Date or such other date as may be agreed between the Company and the Manager

“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, in each case, issued outside the PRC 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 (whether or not initially distributed by way of private placement), but for the avoidance of doubt excluding any bilateral or syndicated loans or similar loan facilities (whether in the PRC or outside the PRC)
“Relevant Page”	the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information
“Share(s)”	the ordinary share(s) of par value US\$0.0005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Schemes”	the Company’s existing publicly disclosed employee share options schemes or share award schemes
“Securities Lending Agreement”	the securities lending agreement dated 12 January 2021 entered into between UBS AG, London Branch and Sherman Investment Holdings Limited in connection with the proposed issue of the Bonds as amended and/or supplemented from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Business Days”	any day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange or the alternative stock exchange, as the case may be, is open for the business of dealing in securities
“Subscription”	the subscription and issue of the Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	a Subscription Agreement dated 12 January 2021 entered into between the Company and the Manager in relation to, among other things, the Subscription

“Subscription Price”	the net subscription moneys for the Bonds paid to the Company by the Manager in accordance with the Subscription Agreement
“Subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Trading Day”	a day when the 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
“Trustee”	Citicorp International Limited
“Trust Deed”	the trust deed to be entered into by the Company and the Trustee in a form to be agreed between the Company and the Manager
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“Voting Stock”	with respect to any person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person
“%”	per cent.

For presentation purpose, percentage figures presented in this announcement have been rounded to the nearest two decimal places.

By order of the Board
China Maple Leaf Educational Systems Limited
Mr. Shu Liang Sherman Jen
Chairman and Chief Executive Officer

Hong Kong, 13 January 2021

As at the date of this announcement, the Board comprises Mr. Shu Liang Sherman Jen, Ms. Jingxia Zhang and Mr. James William Beeke as Executive Directors; and Mr. Peter Humphrey Owen, Dr. Alan Shaver and Mr. Lap Tat Arthur Wong as Independent Non-executive Directors.