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## **CHINA YUHUA EDUCATION CORPORATION LIMITED**

**中国宇华教育集团有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6169)**

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

*Placing Manager*

**BofA SECURITIES** 

The Board is pleased to announce that on 26 October 2021 (after trading hours), the Company, the Seller and the Placing Manager entered into the Placing and Subscription Agreement, pursuant to which (a) the Seller has agreed to appoint the Placing Manager to act as its agent for the purpose of effecting the Placing, and the Placing Manager has agreed to, as agent of the Seller, procure on a best effort basis purchasers who and whose ultimate beneficial owners shall be Independent Third Parties to purchase an aggregate of 220,000,000 Sale Shares at the Placing Price, that is, HK\$4.19 per share, and (b) the Seller has agreed to subscribe for, and the Company has agreed to issue to the Seller, up to 220,000,000 new Shares (and such number shall be equivalent to the number of Sale Shares actually placed by the Placing Manager pursuant to the Placing and Subscription Agreement) at the Subscription Price (being the same as the Placing Price), in each case on the terms and subject to the conditions set out in the Placing and Subscription Agreement.

The gross proceeds from the Subscription are expected to be approximately HK\$922 million and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) will be approximately HK\$914 million. On such basis, the net price per Sale Share will be approximately HK\$4.15. The Company intends to apply the net proceeds from the Placing in the manner detailed in the section headed “Reasons for the Placing and Subscription and use of proceeds”.

The net proceeds from the Subscription will be applied to (i) transform the existing K-12 schools into higher vocational college (and in preparation of launching vocational university in the future); (ii) opening a new campus for Hunan International Economics University ( 湖南涉外經濟學院 ); and (iii) increase investment in launching vocational undergraduate education at the existing three universities. The Directors considers that the Placing Price and the terms of the Placing and Subscription Agreement are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.

The number of the Sale Shares represents: (a) approximately 6.52% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 6.12% of the enlarged total number of Shares in issue upon the completion of the Subscription (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Subscription other than the issue by the Company of the Subscription Shares).

The Placing Price of HK\$4.19 represents: (i) a discount of approximately 11.97% to the closing price of HK\$4.76 per Share as quoted on the Stock Exchange on 26 October 2021, being the date of the Placing and Subscription Agreement; and (ii) a discount of approximately 15.01% to the average closing price of approximately HK\$4.93 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the date of the Placing and Subscription Agreement.

The Subscription Shares are to be issued under the General Mandate granted to the Directors pursuant to resolutions of the shareholders of the Company passed on 1 February 2021. As such, the allotment and issue of the Subscription Shares is not subject to additional Shareholders’ approval.

Application will be made to the Stock Exchange for approval for the listing of, and permission to deal in, the Subscription Shares.

**Completion of the transactions contemplated under the Placing and Subscription Agreement are subject to such agreement not being terminated in accordance with the terms thereof. In addition, completion of the Subscription is subject to the satisfaction of conditions precedent under the Placing and Subscription Agreement. Therefore, the Placing and/or the Subscription may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.**

# THE PLACING AND SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 26 October 2021 (after trading hours), the Company, the Seller and the Placing Manager entered into the Placing and Subscription Agreement, pursuant to which (a) the Seller has agreed to appoint the Placing Manager to act as its agent for the purpose of effecting the Placing, and the Placing Manager has agreed to, as agent of the Seller, procure on a best effort basis purchasers who and whose ultimate beneficial owners shall be Independent Third Parties to purchase an aggregate of 220,000,000 Sale Shares at the Placing Price, that is, HK\$4.19 per share, and (b) the Seller has agreed to subscribe for, and the Company has agreed to issue to the Seller, up to 220,000,000 new Shares (and such number shall be equivalent to the number of Sale Shares actually placed by the Placing Manager pursuant to the Placing and Subscription Agreement at the Subscription Price (being the same as the Placing Price), in each case on the terms and subject to the conditions set out in the Placing and Subscription Agreement. The principal terms of the Placing and Subscription Agreement are summarized below:

Date: 26 October 2021

Parties: (i) the Company

(ii) the Seller

(iii) the Placing Manager

## **The Seller**

As at the date of this announcement, the Seller holds an aggregate of 1,917,500,000 Shares, including the Sale Shares, representing approximately 56.82% of the total number of Shares in issue as at the date of this announcement.

## **The Placing Manager**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Manager and its respective ultimate beneficial owner(s) are Independent Third Parties prior to the entering into of the Placing and Subscription Agreement. The Placing Manager and its respective associates do not hold any Shares as at the date of this announcement.

## **Placees**

It is expected that the Sale Shares will be placed to not fewer than six Placees who shall be professional, institutional or other investors who and whose ultimate beneficial owners are Independent Third Parties.

Immediately after completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of the Company.

## **The Sale Shares**

The number of the Sale Shares represents: (a) approximately 6.52% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 6.12% of the enlarged total number of Shares in issue upon the completion of the Subscription (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the completion of the Subscription other than the issue by the Company of the Subscription Shares).

## **Placing Price**

The Placing Price of HK\$4.19 represents: (i) a discount of approximately 11.97% to the closing price of HK\$4.76 per Share as quoted on the Stock Exchange on 26 October 2021, being the date of the Placing and Subscription Agreement; and (ii) a discount of approximately 15.01% to the average closing price of approximately HK\$4.93 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the date of the Placing and Subscription Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares, the recent trading volume of the Shares and the prospects of the Group and was negotiated on an arm's length basis between the Company, the Seller and the Placing Manager. The Directors considers that the Placing Price and the terms of the Placing and Subscription Agreement are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent to closing of the Placing**

The Placing shall be subject to the following conditions:

- (a) before the closing 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 Hong Kong Stock Exchange or (b) generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo 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 PRC, Japan, Singapore, the United States, the United Kingdom or any member of the EEA 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 Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom or any member of the EEA and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom or any member of the EEA; or
- (v) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom or any member of the EEA or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation,

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

- (b) the representations and warranties made by any of the Company and the Seller pursuant to the Placing and Subscription Agreement being true and accurate and not misleading as of the date of the Placing and Subscription Agreement and the Closing Date;
- (c) 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 Closing Date; and
- (d) the Placing Manager having received on the Closing Date relevant legal opinions to the Placing Manager, such opinions to be in form and substance reasonably satisfactory to the Placing Manager.

The Company and the Seller shall use their respective reasonable endeavours to procure the fulfilment of the foregoing sale conditions on or before the Closing Date. The Placing Manager in its sole discretion may waive any of the above conditions, in whole or in part and with or without conditions, by notice to the Company and the Seller.

In the event that (i) any of the events set out in (a) above occurs at any time between the date of the Placing and Subscription Agreement and the Closing Date, or (ii) the Seller does not deliver the Sale Shares on the Closing Date, or (iii) any of the conditions set out in (b) to (d) above has not been satisfied or waived on or by the Closing Date, the Placing Manager may elect, in its sole discretion, to terminate the Placing and Subscription Agreement (with the exception of certain surviving provisions) and provided that if the Seller shall have delivered some but not all of the Sale Shares on the Closing Date, the Placing Manager shall have the option to effect the Placing with respect to such Sale Shares as have been delivered.

### **Completion of the Placing**

Completion of the Placing is expected to take place on 29 October 2021 or at such other time and/or date as the Seller and the Placing Manager agree.

# **THE SUBSCRIPTION**

## **Subscription Shares**

The Seller has agreed to subscribe as principal for, and the Company has agreed to issue, the Subscription Shares at the Placing Price, in the same amount as the total number of Sale Shares actually sold by the Seller pursuant to the Placing and Subscription Agreement, free from all pledges, liens, charges and encumbrances, equities, security interests or other claims on the terms and subject to the constitutional documents of the Company and the conditions set out in the Placing and Subscription Agreement.

The number of the Subscription Shares represents: (a) approximately 6.52% of the total number of Shares in issue as at the date of this announcement; and (b) approximately 6.12% of the enlarged total number of Shares in issue upon completion of the Subscription (assuming there will be no change to the total number of Shares in issue from the date of this announcement to the date of completion of the Subscription other than the issue by the Company of the Subscription Shares).

## **Ranking of the Subscription Shares**

The Subscription Shares shall, when fully paid, 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 at any time after the date of allotment.

## **Subscription Price**

The Subscription Price is the same as the Placing Price. The aggregate nominal value of the Subscription Shares is HK\$4.19.

## **Conditions of the Subscription**

Completion of the Subscription is conditional upon the fulfilment of the following conditions:

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

Application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Subscription Shares. The Placing and Subscription Agreement has not provided for the right of the parties to waive the above conditions.

## **Completion of the Subscription**

Completion of the Subscription will take place no later than the second Business Day after the date upon which the last of the conditions shall have been satisfied, provided that it shall take place on a date no later than 14 days after the date of the Placing and Subscription Agreement, or at such other time and/or date as the Company, the Seller and the Placing Manager may agree in writing and in compliance with the Listing Rules.

If the conditions are not fulfilled within 14 days after the date of the Placing and Subscription Agreement or such later date as may be agreed among the Company, the Seller and the Placing Manager, the obligations and liabilities of the Seller and the Company 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.

## **Lock-up**

Pursuant to the Placing and Subscription Agreement, the Company shall not, and the Seller shall procure that the Company will not, without the prior written consent of the Placing Manager:

- (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for, or enter into any transaction which is designed to, or might reasonably be expected to, result in any of the aforesaid (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company, or
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or
- (iii) publicly announce an intention to effect any such transaction,

for a period beginning on the date of the Placing and Subscription Agreement and ending on the date which is 90 days after the Closing Date. The foregoing shall not apply to (i) the issue of the Subscription Shares under the Placing and Subscription Agreement; (ii) the issuance of new Shares pursuant to the pre-IPO share option scheme adopted by the Company effectively from 1 September 2016 and the share award scheme adopted by the Company on 8 February 2017; (iii) the issue of new Shares pursuant to the conversion of the Company's HK\$2,088 million 0.90% convertible bonds due 2024; and (iv) the issuance of new Shares as consideration shares for any merger and acquisition transactions (if any).

## **GENERAL MANDATE**

The Subscription Shares are to be issued under the General Mandate.

As at the date of this announcement, the number of new Shares that could be allotted and issued by the Company under the General Mandate is 671,027,996 Shares. The allotment and issue of the Subscription Shares will utilise approximately 32.79% of the Shares that can be allotted and issued by the Company under the General Mandate. As such, the allotment and issue of the Subscription Shares is not subject to additional Shareholders' approval.

## **APPLICATION FOR LISTING**

Application will be made by the Company to the Stock Exchange for approval for the listing of, and permission to deal in, the Subscription Shares.

## **REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS**

Assuming all the Sale Shares are fully placed and the Subscription Shares are subscribed for by the Seller, the gross proceeds from the Subscription are expected to be approximately HK\$922 million and the net process (after deducting all applicable costs and expenses, including commission and levies) will be approximately HK\$914 million. On such basis, the net price per Sale Share will be approximately HK\$4.15.

The net proceeds from the Subscription will be applied to (i) transform the existing K-12 schools into higher vocational college (and in preparation of launching vocational university in the future); (ii) opening a new campus for Hunan International Economics University (湖南涉外經濟學院); and (iii) increase investment in launching vocational undergraduate education at the existing three universities. The Directors considers that the Placing Price and the terms of the Placing and Subscription Agreement are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.



## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to completion of the Placing and the Subscription, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Placing and the Subscription.

Shareholder	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 Subscription	
	<i>Number of shares</i>	<i>Approximate %</i>	<i>Number of shares</i>	<i>Approximate %</i>	<i>Number of shares</i>	<i>Approximate %</i>
GuangYu Investment	1,917,500,000	56.82	1,697,500,000	50.30	1,917,500,000	53.35
Placees	0	0.00	220,000,000	6.52	220,000,000	6.12
Other Shareholders	<u>1,456,993,833</u>	<u>43.18</u>	<u>1,456,993,833</u>	<u>43.18</u>	<u>1,456,993,833</u>	<u>40.53</u>
<b>Total:</b>	<u><u>3,374,493,833</u></u>	<u><u>100.0</u></u>	<u><u>3,374,493,833</u></u>	<u><u>100.0</u></u>	<u><u>3,594,493,833</u></u>	<u><u>100.0</u></u>

## FUND RAISING DURING THE PAST TWELVE MONTHS

The Company has not conducted any other fund raising activity through the issue of equity securities in the past twelve months immediately before the date of this announcement.

**Completion of the transactions contemplated under the Placing and Subscription Agreement is subject to such agreement not being terminated in accordance with the terms thereof. In addition, completion of the Placing and Subscription is subject to the fulfilment of the conditions precedent under the Placing and Subscription Agreement. Therefore, the Placing and/or the Subscription may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday or public holiday) on which banks generally are open for business in Hong Kong
“Closing Date”	29 October 2021 (or such later date as the Company and the Placing Manager shall agree)

“Company”	China YuHua Education Corporation Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 6169)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to resolutions of the shareholders of the Company passed on 1 February 2021 to allot, issue and deal with up to 671,027,996 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Placee(s)”	any person or entity procured by the Placing Manager or their agent(s) to subscribe for any Sale Shares pursuant to the Placing and Subscription Agreement
“Placing Manager”	Merrill Lynch (Asia Pacific) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) with an active license record with the Hong Kong Securities and Futures Commission and with CE number AAC198
“Placing”	the Placing of the Sale Shares at the Placing Price pursuant to the terms and conditions set out in the Placing and Subscription Agreement

“Placing and Subscription Agreement”	the placing and subscription agreement dated 26 October 2021 entered into between the Company, the Seller and the Placing Manager in respect of the Placing and the Subscription
“Placing Price”	the aggregate Placing price of HK\$4.19 payable by the Placees for the Placing of the Sale Shares
“Sale Shares”	an aggregate of 220,000,000 Shares beneficially owned by the Seller and to be sold pursuant to the Placing and Subscription Agreement
“Seller”	GuangYu Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of our Company
“Shares”	shares of HK\$0.00001 each in the share capital of the Company
“Subscription”	the subscription of the Subscription Shares by the Seller at the Subscription Price pursuant to the terms and conditions of the Placing and Subscription Agreement.
“Subscription Price”	the price payable per Subscription Share by the Seller, which price shall be the same as the Placing Price (being HK\$4.19 per Subscription Share)
“Subscription Shares”	up to 220,000,000 new Shares to be allotted and issued by the Company to the Seller (equivalent to the number of Sale Shares actually placed by the Placing Manager pursuant to the Placing and Subscription Agreement) under the Subscription
“%”	per cent.

By order of the Board  
**China YuHua Education Corporation Limited**  
**Li Guangyu**  
*Chairman and Executive Director*

Hong Kong, 27 October 2021

*As at the date of this announcement, the Board comprises Mr. Li Guangyu, Ms. Li Hua and Ms. Qiu Hongjun as executive directors; and Mr. Zhang Zhixue, Mr. Chen Lei and Mr. Xia Zuoquan as independent non-executive directors.*