



COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

FSD CAUSE NO. 332 OF 2021 (NGJ)

IN THE MATTER OF THE COMPANIES ACT (2021 REVISION)

AND IN THE MATTER OF PUXIN LIMITED

WINDING UP PETITION

To the Grand Court of the Cayman Islands

The humble petition of Shine Honour Opportunity VI Limited (the "**Petitioner**") with its registered office at Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands **shows that:-**

1 The Petitioner seeks the winding up of Puxin Limited (the "**Company**") on the grounds that it is unable to pay its debts.

The Petitioner

2 The Petitioner is a company organized under the laws of the British Virgin Islands with company number 2052180, and whose registered office is at Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands. The Petitioner is a creditor of the Company.

The Company

3 The Company is an exempted company with limited liability incorporated in the Cayman Islands on 17 March 2017 with registration number 320919 and has American Depositary Shares (each American Depositary Share representing 2 ordinary shares, with par value of US\$0.00005 per share) listed on the New York Stock Exchange since 15 June 2018 (NYSE: NEW).

- 4 The registered office of the Company is situated at Walkers Corporate Limited, Cayman Corporate Centre, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands, and the principal place of business of the Company in the People's Republic of China ("**PRC**") is located at Floor 5, Building 4, Dingjun Building, 75 Suzhou Street, Haidian District, Beijing, PRC.
- 5 The authorized shares of the Company is 1,000,000,000 ordinary shares, with par value of US\$0.00005 per share. The issued and outstanding shares of the Company as at 31 December 2020 were 188,653,468 ordinary shares and 174,453,992 ordinary shares, respectively.
- 6 The Company and its subsidiaries (the "**Company Group**") principally engage in the provision of after-school education services in the PRC. The Company Group offers tutoring programs designed to help students achieve academic excellence and/or to prepare for admission tests and applications for schools, universities and graduate programs in the PRC and in other countries. According to the Company's latest annual report, as at 31 December 2020, the Company Group had a network of 407 learning centers across 32 cities in China. The Company Group also had a total student enrolments of 3,680,742 in 2020.

The Debt

- 7 The Company is unable to pay its debts within the meaning of section 93 of the Companies Act (2021 Revision) (the "**Companies Act**") for the reasons set out in this Petition.
- 8 On 18 March 2021, the Company and the Petitioner entered into a Convertible Note Purchase Agreement pursuant to which the Company would issue and sell convertible notes in an aggregate principal amount of US\$69,000,000 through a private placement to such investors (the "**Convertible Note Purchase Agreement**").
- 9 On 24 March 2021, the Company issued Convertible Promissory Note No. 001 and Convertible Promissory Note No. 002 (together, the "**Notes**") to the Petitioner pursuant to the Convertible Note Purchase Agreement.
- 10 Each Note bears an original principal amount of US\$10,000,000 and matures on 24 March 2026 unless converted, redeemed or repurchased in full in accordance with the terms of the Notes.

This **WINDING UP PETITION** is filed by Campbells LLP, Attorneys-at-Law for the Petitioner, whose address for service is 4th Floor, Willow House, Cricket Square, George Town, Grand Cayman, Cayman Islands (Ref: SRF/JMH/20130/36293)

11 Pursuant to Section 2.1 (*Interest Payments*) of each Note, interests shall accrue on the principal amount at a simple rate of 3.00% per annum and are payable to the Petitioner in cash semi-annually on 24 March and 24 September of each year, commencing on 24 September 2021.

12 Pursuant to the Notes, “Fundamental Change” is defined as, *inter alia*:

“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 Company and its Subsidiaries (collectively, the “Company 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 Company 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 quarter, or (y) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group Company (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 quarter.

13 Section 6.3 of the Notes sets out the Petitioner’s repurchase rights in the event of a Fundamental Change. In particular:

13.1 Section 6.3(a) provides that *upon the occurrence of a Fundamental Change, the Petitioner shall have the right, at its option, to require the Company to repurchase for cash all or any portion of the Notes at a repurchase price equal to 100% of the principal amount plus all accrued and unpaid interest, calculated to but excluding the date of repurchase, by delivering to the Company a written notice and the Note for cancellation at any time prior to the twentieth Business Day following the effective date of the Fundamental Change;*

13.2 Section 6.3(b) provides that *no later than 10 Business Days after the occurrence of the effective date of a Fundamental Change, the Company shall provide to the Petitioner a written notice specifying, among others (i) the events causing the Fundamental Change; (ii) the effective date of the Fundamental Change; (iii) the last date on which the Holder may exercise the repurchase right pursuant to this section 6.3; (iv) the then outstanding principal*

amount of the Note and the accrued and unpaid interest thereon; and (v) the then effective Conversion Rate and any adjustments to the Conversion Rate. No failure of the Company to give the foregoing notices and no defect therein shall limit the Petitioner's repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to section 6.3.

- 13.3 Section 6.3(c) provides that *the payment of the repurchase price contemplated by section 6.3(a) shall be made by the Company to the Petitioner within 10 Business Days following the delivery of such Fundamental Change Repurchase Notice.*

The Fundamental Change

- 14 On 24 July 2021, the General Office of the Central Committee of the Chinese Communist Party and the General Office of the State Council of China issued the Opinions on Further Alleviating the Burdens of Homework and After-school Tutoring for Students of Compulsory Education (the "**Opinion**"). The Opinion contains high-level policy directives about requirements and restrictions related to after-school tutoring services, including, among others:

- 14.1 institutions providing after-school tutoring services on academic subjects in China's compulsory education system ("**Academic AST Institutions**") are required to be registered as non-profit, no approval will be granted to establish new Academic AST Institutions, and online Academic AST Institutions will be subject to approvals;
- 14.2 foreign ownership in Academic AST Institutions is prohibited, including through contractual arrangements, and companies with existing foreign ownership are required to make rectification;
- 14.3 listed companies are prohibited from raising capital to invest in businesses that offer after-school tutoring services on academic subjects of compulsory education;
- 14.4 Academic AST Institutions are prohibited from providing tutoring services on academic subjects of compulsory education during public holidays, weekends and school breaks; and
- 14.5 Academic AST Institutions are required to follow the fee standards to be determined by competent government authorities.

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- 15 The Opinion also provides that the supervision on institutions providing after-school tutoring on academic subjects of high schools (which are not within China's compulsory education system) will be implemented with reference to the Opinion.
- 16 On 27 July 2021, the Company filed Form 6-K with the United States Securities and Exchange Commission in which the Company stated, among other things, that it "*expects such measures [required under the Opinion] to have material adverse impact on the Company's after-school tutoring services, results of operations and prospectus*".
- 17 The Opinion is binding on businesses operating in the PRC and has resulted in (a) the Company Group (as in existence immediately subsequent to the Opinion), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Company Group (as in existence immediately prior to the Opinion) as of the last date of the period described in the Company's consolidated financial statements for the most recent fiscal quarter; and/or (b) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to the Opinion) in the same manner as reflected in the Company's consolidated financial statements for the most recent fiscal quarter.
- 18 Accordingly, the Opinion constituted a Fundamental Change (as defined in the Notes), and a Fundamental Change has occurred for the purposes of both Notes.

Petitioner's Repurchase Rights

- 19 As a result of the Fundamental Change, the Petitioner's repurchase rights are activated pursuant to section 6.3 of the Notes. Accordingly, the Petitioner should have received a written notice from the Company pursuant to section 6.3(b) of the Notes. However, as at the date of this Petition, no such written notice has been received.
- 20 By notice dated 18 August 2021 (the "**Fundamental Change Repurchase Notice**"), the Petitioner exercised its repurchase rights under Section 6.3(a) of the Notes and demanded the Company to repurchase for cash all of the Notes at a repurchase price equal to 100% of the principal amounts

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thereof plus all accrued and unpaid interests thereon, calculated to but excluding the date of repurchase.

- 21 Pursuant to the Fundamental Change Repurchase Notice and Section 6.3(c), the Company is required to pay the repurchase price within ten Business Days following the delivery of Fundamental Change Repurchase Notice. However, the Petitioner did not receive the repurchase price from the Company within such time limit, or at all.
- 22 By notice dated 3 September 2021 (the “**Default Notice**”), the Petitioner informed the Company of the occurrence of several Events of Default, including under Sections 4.1(a) and 4.1(d) of the Notes. Pursuant to Section 4.2(c) of the Notes, the Petitioner also declared each Note (including any accrued and unpaid interest thereon) to be immediately due and payable and made formal demand on the Company under the Notes for payment forthwith of the entire principal amounts thereof, plus all accrued and unpaid interest thereon as of the date of the Default Notice, in the sum of US\$20,267,945.20 (the “**Outstanding Sum**”).
- 23 On 4 October 2021, the Petitioner received an interest payment from the Company of US\$300,000.

Statutory Demand

- 24 On 18 October 2021, the Petitioner served a statutory demand (the “**Statutory Demand**”) on the Company at its registered office demanding the immediate payment of the sum of US\$20,392,884.60 due and owing to the Petitioner (the “**Statutory Demand Debt**”).
- 25 The Company has neglected to pay the Statutory Demand Debt within the 21 day period, or to secure or compound the same to the satisfaction of the Petitioner.
- 26 At the time the Statutory Demand was served, the Petitioner was not aware of the interest payment received from the Company in the amount of US\$300,000. The sums claimed by the Petitioner therefore need to be adjusted to take account of this interest payment.
- 27 As of 12 November 2021, the Company is indebted to the Petitioner for the sum of US\$20,155,614.44 (the “**Petition Debt**”), consisting of:

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- 27.1 US\$20,051,238.14 (being the Outstanding Sum adjusted on account of the interest payment received);
- 27.2 US\$38,454.43 (being the outstanding default interest in respect of the adjusted Outstanding Sum accrued from the date of the Default Notice to the date of the Statutory Demand pursuant to Section 4.5 (*Default Interest*) of the Notes); and
- 27.3 US\$65,921.88 being the default interest in respect of the adjusted Outstanding Sum accrued from the date of the Statutory Demand to the date to this Petition pursuant to Section 4.5 (*Default Interest*) of the Notes.
- 28 The Company has failed or neglected to pay the Petition Debt to the Petitioner, which remains due and owing to the Petitioner and on which interest continues to accrue.

Grounds for Winding Up

- 29 In the circumstances, the Company is deemed to be unable to pay its debts pursuant to Section 93 of the Companies Act and should be wound up pursuant to Section 92(d) of the Companies Act.

Nomination of Joint Official Liquidators

- 30 The Petitioner nominates Simon Richard Conway of PwC Corporate Finance & Recovery (Cayman) Limited, PO Box 258, 18 Forum Lane, Camana Bay, Grand Cayman, KY1 1104 Cayman Islands and Man Chun So and Yat Kit Jong of PricewaterhouseCoopers Limited, 20/F Prince's Building, Central, Hong Kong to be appointed as joint official liquidators of the Company.

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

- 1 The Company be wound up in accordance with the Companies Act (2021 Revision).
- 2 Simon Richard Conway of PwC Corporate Finance & Recovery (Cayman) Limited, PO Box 258, 18 Forum Lane, Camana Bay, Grand Cayman, KY1 1104 Cayman Islands and Man Chun So and Yat Kit Jong of PricewaterhouseCoopers Limited, 20/F Prince's Building, Central, Hong Kong be appointed as Joint Official Liquidators (**JOLs**) of the Company.
- 3 The JOLs be authorised to act jointly and severally in their capacity as liquidators of the Company.
- 4 The JOLs shall not be required to give security for their appointment.
- 5 In addition to their powers prescribed in Part II of the Third Schedule to the Companies Act which are exercisable without sanction of this Court, the JOLs are hereby sanctioned to exercise the following powers set out in Part I of the Third Schedule to the Companies Act:
 - 5.1 Power to bring or defend any action or other legal proceeding in the name and on behalf of the Company;
 - 5.2 Power to carry on the business of the Company so far as may be necessary for its beneficial winding up;
 - 5.3 Power to dispose of any property of the Company to a person who is or was related to the Company;
 - 5.4 The power to sell any of the Company's property by public auction or private contract with power to transfer the whole of it to any person or to sell the same in parcels;
 - 5.5 The power to raise or borrow money and grant securities therefor over the property of the Company;
 - 5.6 The power to engage staff (whether or not as employees of the Company) to assist that person in the performance of that person's functions; and

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- 6 The JOLs shall be authorised to seek recognition of their appointment in any other relevant jurisdictions and to make applications to the courts of such jurisdictions for that purpose.
- 7 The JOLs be at liberty to appoint counsel, attorneys, and/or any other professional advisors and agents, whether in the Cayman Islands or elsewhere as they may consider necessary to advise and assist them in the performance of their duties and on such terms as they may think fit and to remunerate them out of the assets of the Company.
- 8 The JOLs have authority and are directed to take all necessary steps to take control of the Company's subsidiaries, if any, including by exercising voting or other rights attached to the shares in the Company's subsidiaries and/or by causing themselves to be registered as holders of the Company's shares in their subsidiaries in place of the Company.
- 9 The JOLs remuneration and expenses be paid out of the assets of the Company in accordance with the Companies Winding Up Rules, 2020 and Part III of the Insolvency Practitioners' Regulations, 2018.
- 10 The costs of the Petitioner of and incidental to the Petition be paid out of the assets of the Company as an expense of the liquidation, to be taxed on the indemnity basis if not agreed with the JOLs.
- 11 Such other orders and directions may be made as the Court thinks fit.

Dated this 12th day of November 2021



Campbells LLP

Attorneys-at-Law for the Petitioner

It is intended that this Petition be served on the Company.

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Notice of Hearing

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman, Cayman Islands on 14th December 2021 at 9:00 am/~~pm~~.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, George Town, Grand Cayman KY1-1106, Cayman Islands; Tel: 3459494296.

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