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China Maple Leaf Education 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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 47.5% OF THE EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 5 February 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Agreements, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell in aggregate 47.5% of the equity interest in the Target Company for an aggregate consideration of RMB77,915,000 (equivalent to approximately HK\$88,190,000) (subject to any Adjustment (as defined below)), which will be satisfied by the allotment and issue of an aggregate of 18,636,733 Consideration Shares by the Company under the General Mandate at the Issue Price of HK\$4.732.

Previously on 16 November 2016, the Purchaser and Haiguo Investment Industry Co., Ltd* (海國投實業股份有限公司), a third party independent of the Company, entered into a sale and purchase agreement pursuant to which the Purchaser conditionally agreed to acquire and Haiguo Investment Industry Co., Ltd conditionally agreed to sell 4.9% of the equity interest in the Target Company for a cash consideration of RMB7,497,000 (equivalent to approximately HK\$8,486,000) (the “**4.9% Transaction**”).

Upon completion of the 4.9% Transaction and the Acquisition, the Target Company will be owned as to 52.4% by the Purchaser and the Target Company will become an indirect non-wholly owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition as aggregated with the 4.9% Transaction is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Acquisition is subject to the fulfilment or wavier (as the case may be) of the conditions precedent set out in the Agreements, the transactions contemplated thereunder may or may not proceed to Completion and Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

The Board is pleased to announce that on 5 February 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Agreements, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell in aggregate 47.5% of the equity interest in the Target Company for an aggregate consideration of RMB77,915,000 (equivalent to approximately HK\$88,190,000) (subject to any Adjustment (as defined below)), which will be satisfied by the allotment and issue of an aggregate of 18,636,733 Consideration Shares by the Company under the General Mandate at the Issue Price of HK\$4.732.

THE AGREEMENTS

The principal terms of Agreement One and Agreement Two are almost identical and are as follows:

1. Date

5 February 2017

2. Parties

Agreement One: The Purchaser and the First Vendor

Agreement Two: The Purchaser and the Second Vendor

As at the date of this announcement, the First Vendor and the Second Vendor own 22.5% and 25% of the equity interests in the Target Company respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

3. Subject matter of the Acquisition

Pursuant to the Agreements (as defined below), the Purchaser conditionally agreed to acquire 22.5% and 25% of the equity interests in the Target Company from the First Vendor and the Second Vendor respectively.

Previously on 16 November 2016, the Purchaser and Haiguo Investment Industry Co., Ltd* (海國投實業股份有限公司), a third party independent of the Company, entered into a sale and purchase agreement pursuant to which the Purchaser conditionally agreed to acquire and Haiguo Investment Industry Co., Ltd conditionally agreed to sell 4.9% of the equity interest in the Target Company for a cash consideration of RMB7,497,000 (equivalent to approximately HK\$8,486,000).

Upon completion of the 4.9% Transaction and the Acquisition, the Target Company will be owned as to 52.4% by the Purchaser. The Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial statements of the Target Company will be consolidated into the financial statements of the Group.

The Target Company is principally engaged in the operation of Hainan National Science Park Experimental School* (海南國科園實驗學校) (the “**School**”), a K-12 boarding school located in Haikou City in Hainan Province. Please refer to the section headed “Information on the Target Company” below for more details.

4. Consideration and payment schedule

(a) Consideration

Subject to any Adjustment, the aggregate consideration for the Acquisition is RMB77,915,000 (equivalent to approximately HK\$88,190,000), of which RMB34,425,000 (equivalent to approximately HK\$38,960,000) is payable to the First Vendor and RMB43,490,000 (equivalent to approximately HK\$49,230,000) is payable to the Second Vendor, which will be satisfied by the allotment and issue of the Consideration Shares by the Company under the General Mandate at the Issue Price. The aggregate consideration was arrived at after arms’ length negotiations between the Purchaser and each of the Vendors with reference to the expected revenue generated by each student of the School and the prevailing market conditions.

(b) Adjustment to consideration

The aggregate consideration for the Acquisition is subject to adjustment in the following manner (the “**Adjustment**”) in the event that:

- (i) the pre-Completion due diligence conducted by the Purchaser reveals any liability of the Target Company which has not been previously disclosed to the Purchaser and that the Vendors fail to settle the outstanding liability in full, the consideration payable to each of the Vendors shall be reduced by an amount equal to the amount of the undisclosed liability multiplied by the Vendor’s shareholding in the Target Company; and
- (ii) the number of students enrolled in the School for the spring semester of the 2016/2017 academic year falls below 3,000, the consideration payable to each of the Vendors shall be reduced by an amount determined in accordance with the following formula:

$$A = \text{RMB}3,300 \times (3,000 - B)$$

Where:

“A” means the amount to be deducted from the consideration payable to each of the Vendors; and

“B” means the actual number of students enrolled in the School for the spring semester of the 2016/2017 academic year.

(c) Consideration Shares

Assuming that there is no Adjustment, the Company will allot and issue 18,636,733 Consideration Shares at the Issue Price of HK\$4.732, of which 8,234,224 and 10,402,509 Consideration Shares will be allotted and issued to the First Vendor and the Second Vendor respectively. The Issue Price represents:

- (i) a discount of approximately 1.42% to the closing price of HK\$4.80 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the date of the Agreements; and
- (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreements.

The Issue Price was determined after arms' length negotiations between the Purchaser and each of the Vendors with reference to the 5-day average closing price as referred to in (ii) above and the middle exchange rate between RMB and HK\$ as announced by the Bank of China on the working day immediately prior to the date of the Agreements.

The 18,636,733 Consideration Shares represent approximately 1.37% of the issued share capital of the Company as at the date of this announcement and approximately 1.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 272,150,134 Shares, representing 20% of the issued share capital of the Company as at the date on which the General Mandate was granted. As at the date of this announcement, the General Mandate has not been utilised. Accordingly, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal, in the Consideration Shares. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the existing Shares in issue.

(d) Payment schedule

Assuming that there is no Adjustment, the aggregate consideration for the Acquisition shall be paid in the following manner:

- (i) 50% of the aggregate Consideration Shares (being 9,318,367 Consideration Shares, of which 4,117,112 and 5,201,255 Consideration Shares will be allotted and issued to the First Vendor and the Second Vendor respectively) shall be allotted and issued on the date of Completion;

- (ii) 30% of the aggregate Consideration Shares (being 5,591,020 Consideration Shares, of which 2,470,267 and 3,120,753 Consideration Shares will be allotted and issued to the First Vendor and the Second Vendor respectively) shall be allotted and issued within five working days after the completion of the certain governmental registration procedures and presentation of the permits/approvals as stipulated in the Agreements to the Purchaser which shall take place within six months from the date of the Agreements;
- (iii) 15% of the aggregate Consideration Shares (being 2,795,510 Consideration Shares, of which 1,235,134 and 1,560,376 Consideration Shares will be allotted and issued to the First Vendor and the Second Vendor respectively) shall be allotted and issued upon completion of the handover procedures in relation to the Target Company and the School as stipulated in the Agreement which shall take place within nine months from the date of the Agreements; and
- (iv) 5% of the aggregate consideration shall be withheld as deposit for the performance of the Agreements to cover any breach of warranties for one year from the date of the Agreements and, assuming there is no breach of warranties within the first year from the date of the Agreements, the relevant Consideration Shares (being 931,836 Consideration Shares, of which 411,711 and 520,125 Consideration Shares will be granted to the First Vendor and the Second Vendor respectively) shall be allotted and issued to at the end of the one-year period.

5. Conditions Precedent

The Completion is conditional upon, among other things, the fulfilment or waiver (as the case may be) of the following conditions:

- (a) the sale and purchase agreement in respect of the 4.9% Transaction having been completed and, in respect of Agreement Two only, Agreement One having become unconditional;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares;
- (c) the Purchaser having completed its due diligence on the Target Company and the results of the due diligence being satisfactory to the Purchaser;
- (d) the Vendors having changed the name and amended the articles of the Target Company to the satisfaction of the Purchaser and completed the registration procedures in respect of the share transfers contemplated under the Agreements; and
- (e) the Purchaser having received settlement proof of all those claims and liabilities of the Target Company and the School specified in the Agreements.

Save for conditions precedent (b) and (d) above, the Purchaser may waive any of the conditions precedent set out in the Agreements. In the event that any of the Conditions Precedent is not fulfilled or waived on or before 4 May 2017, the Agreements (other than the provisions in respect of confidentiality, breach and dispute resolution) shall terminate and the parties shall be released from their obligations under the Agreements save and except for rights and remedies available to the non-defaulting party in relation to any breach prior to termination.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares (assuming there is no Adjustment and no other change in the shareholding structure of the Company) is set out as follows:

	Capacity	As at the date of this announcement		Upon Completion and the allotment and issue of the Consideration Shares	
		Number of shares	Shareholding percentage (%)	Number of shares	Shareholding percentage (%)
Jen Shu Liang Sherman (<i>Note 1</i>)	Interest of a controlled corporation	741,869,909	54.5	741,869,909	53.8
	Beneficial owner	1,233,410	0.1	1,233,410	0.1
Howard Robert Balloch (<i>Note 2</i>)	Interest of a controlled corporation	4,251,822	0.3	4,251,822	0.3
	Beneficial owner	1,100,671	0.1	1,100,671	0.1
James William Beeke (<i>Note 2</i>)	Beneficial owner	720,237	0.1	720,237	0.1
Peter Humphrey Owen (<i>Note 2</i>)	Beneficial owner	30,000	Negligible	30,000	Negligible
Wong Chak Kei Jack (<i>Note 2</i>)	Beneficial owner	20,000	Negligible	20,000	Negligible
Wong Lap Tat Arthur (<i>Note 2</i>)	Beneficial owner	180,000	Negligible	180,000	Negligible
Zhang Jingxia (<i>Note 2</i>)	Beneficial owner	1,754,566	0.1	1,754,566	0.1
The First Vendor		–	–	8,234,224	0.6
The Second Vendor		–	–	10,402,509	0.8
Other public Shareholders		609,590,056	44.8	609,590,056	44.1
Total:		<u>1,360,750,671</u>	<u>100.0</u>	<u>1,379,387,404</u>	<u>100.0</u>

Notes:

- As at the date of this announcement, Sherman Investment Holdings Limited is wholly owned by Mr. Jen Shu Liang Sherman (“**Mr. Jen**”). Mr. Jen is deemed to be interested in the 741,869,909 Shares held by Sherman Investment Holdings Limited.
- Each being a Director.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. The Target Company is principally engaged in the operation of Hainan National Science Park Experimental School* (海南國科園實驗學校), a K-12 boarding school located in Haikou City in Hainan Province, which is a private non-enterprise organisation wholly-owned by the Target Company. The School currently has over 3,200 students. The School premises, comprising over 50 classrooms including multi-purpose rooms such as science labs, arts studios and multimedia rooms, occupy a site area of approximately 54,057 square metres and a floor area of approximately 52,696 square metres.

As at the date of this announcement, the First Vendor and the Second Vendor own 22.5% and 25% of the equity interests in the Target Company respectively. Haiguo Investment Industry Co., Ltd* (海國投實業股份有限公司), the vendor in the 4.9% Transaction, owns the remaining 52.5% of the equity interest in the Target Company.

Financial information of the Target Company

Set out below is the financial information of the Target Company as extracted from the financial statements of the Target Company as provided by the Vendors for each of the two years ended 31 December 2015 (audited) and 31 December 2016 (unaudited):

	For the year ended 31 December 2015 (audited) RMB	For the year ended 31 December 2016 (unaudited) RMB
Net profit before tax	10,269,174	10,499,399
Net profit after tax	10,269,174	10,499,399
		As at 31 December 2016 (unaudited) RMB
Net asset value		86,213,340

INFORMATION ON THE VENDORS

The First Vendor is principally engaged in investment in and management of education business. The Second Vendor is principally engaged in general import and export business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in the operation of international schools for K-12 education in the PRC.

Upon completion of the 4.9% Transaction and the Acquisition, subject to obtaining the necessary permits/approvals from the relevant governmental authorities, the Group will assume operation of the School which will be the Group's first Maple Leaf school in Hainan Province. This provides an opportunity for the Group to establish its strategic presence in an unexplored province and expand its school network in the PRC.

Furthermore, the School has been operating in Hainan Province since 1994 and has established a reputation in the local community. As the Target Company will become an indirect non-wholly owned subsidiary of the Company upon completion of the 4.9% Transaction and the Acquisition, the addition of the School to the Group's school network will improve the profitability of Group and strengthen its position in the education industry.

The Directors (including independent non-executive Directors) consider that the terms of the Agreements to be fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition as aggregated with the 4.9% Transaction is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Acquisition is subject to the fulfilment or wavier (as the case may be) of the conditions precedent set out in the Agreements, the transactions contemplated thereunder may or may not proceed to Completion and Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of an aggregate of 47.5% of the equity interest in the Target Company by the Purchaser
“Agreement One”	the sale and purchase agreement dated 5 February 2017 and entered into between the Purchaser and the First Vendor in relation to the acquisition of 22.5% of the equity interest in the Target Company
“Agreement Two”	the sale and purchase agreement dated 5 February 2017 and entered into between the Purchaser and the Second Vendor in relation to the acquisition of 25% of the equity interest in the Target Company
“Agreements”	Agreement One and Agreement Two collectively
“Board”	the board of Directors

“Company”	China Maple Leaf Education Systems Limited, a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion the Acquisition pursuant to the terms of the Agreements
“Consideration Shares”	18,636,733 Shares to be allotted and issued to the Vendors as consideration for the Acquisition
“Director(s)”	director(s) of the Company
“First Vendor”	Hainan National Science Park Educational Management Co., Ltd* (海南國科園教育管理有限公司), a company established in the PRC with limited liability
“General Mandate”	the general mandate granted to the Directors at the Company’s annual general meeting on 23 January 2017 to allot, issue and deal with up to 272,150,134 Shares, representing 20% of the total number of issued Shares as at the date on which this general mandate was granted
“Group”	the Company, together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Issue Price”	HK\$4.732, being the issue price per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan area
“Purchaser”	Dalian Maple Leaf Educational Group Co., Ltd* (大連楓葉教育集團有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Second Vendor”	Haikou Baifuyuan Trading Co., Ltd* (海口百福源貿易有限公司), a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of US\$0.001 each in the issued share capital of the Company
“Shareholders”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Hainan Science and Education Group Co., Ltd* (海南科教集團有限公司), a company established in the PRC with limited liability which will become a non-wholly owned subsidiary of the Company upon completion of the 4.9% Transaction and the Acquisition
“US\$”	US dollar, the lawful currency of the United States of America
“Vendors”	collectively, the First Vendor and the Second Vendor

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

Hong Kong, 5 February 2017

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; Mr. Howard Robert Balloch as non-executive Director; and Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong and Mr. Lap Tat Arthur Wong as independent non-executive Directors.

* *For identification purposes only*