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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)

SHARE TRANSACTION
ACQUISITION OF THE EQUITY INTEREST IN THE
TARGET COMPANY INVOLVING THE ISSUANCE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 10 December 2018 (after trading hours) the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell 66% of its equity interest in the Target Company for a Consideration of RMB184,800,000 (equivalent to approximately HK\$210,167,178) (subject to any adjustment to Consideration). The Consideration for the Acquisition will be satisfied in part by cash and in part by the allotment and issuance of 16,136,042 Consideration Shares by the Company to the Vendor under the General Mandate at the issue price of HK\$3.524.

Upon completion of the Acquisition, the Target Company, which owns a leading elementary and middle school in Luzhou, Sichuan Province with a current student enrolment of more than 3,200 students, will be owned as to 66% by the Purchaser and the Target Company will become an indirect non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. As the Consideration for the Acquisition will be satisfied in part by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

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A summary of the principal terms of the Agreement and details of the Target Company are set out below.

THE AGREEMENT

Date: 10 December 2018 (after trading hours)

Parties:

- (1) Dalian Maple Leaf Educational Group Co., Ltd.* (大連楓葉教育集團有限公司) as the Purchaser
- (2) Sichuan Wangshi Group Co., Ltd.* (四川王氏集團有限公司) as the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its beneficial owner are third parties independent of the Company and Connected persons of the Company.

Subject Matter

Pursuant to the Agreement, the Purchaser conditionally agreed to purchase 66% of the equity interest of the Target Company. As at the date of this announcement, the Target Company is owned as to 66% by the Vendor.

Consideration

The Consideration for the Acquisition is RMB184,800,000 (equivalent to approximately HK\$210,167,178). 5% (being the sum of RMB9,240,000) of the Consideration shall be withheld by the Purchaser and held as deposit for the performance of the Agreement and shall be used to cover any breach of warranties for nine months from the date of the Agreement. The remaining 95% (being the sum of RMB175,560,000) of the Consideration will be satisfied in the following manner:

- (i) RMB50,000,000 shall be satisfied through the allotment and issuance of Consideration Shares on the Completion Date. If the Company cannot obtain the approval for the listing of, and permission to deal in, the Consideration Shares from the Listing Committee of the Stock Exchange, the sum of RMB50,000,000 shall be paid in cash to the Vendor on the Completion Date;
- (ii) RMB42,400,000 to be paid in cash to the Vendor on the Completion Date (subject to any adjustment to Consideration as specified below);
- (iii) RMB36,960,000 to be paid in cash to the Vendor after completion of certain governmental registration procedures and presentation of the permits/approvals as stipulated in the Agreement within two months after the signing of the Agreement (subject to any adjustment to Consideration as specified below); and
- (iv) RMB46,200,000 to be paid after the signing of the Agreement and within the first week of the commencement of the second term of the 2018-2019 school year upon completion of the handover procedures in relation to the Target Company and the School as stipulated in the Agreement.

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiations with reference to the fair value of the Target Company's net asset and the prevailing market conditions. The Directors consider that the Consideration is fair and reasonable.

Adjustment to Consideration

In the event of any disparity with the list of liabilities of the Target Company and School as specified in the Agreement, which has the effect of increasing the Target Company or the School's liabilities and which the Vendor is unable to rectify, the Purchaser is entitled to deduct from the Consideration the sum corresponding to the increased liability.

Consideration Shares

A total of 16,136,042 Consideration Shares will be allotted and issued, representing approximately 0.542% of the existing issued share capital of the Company as at the date of this announcement and approximately 0.539% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

The issue price of HK\$3.524 per Consideration Share represents:

- (i) a premium of approximately 8.1% to the closing price of HK\$3.26 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the Agreement.

The issue price of HK\$3.524 per Consideration Share was arrived at after arm's length negotiation between Purchaser and the Vendor with reference to the 5-day average closing price of the Shares 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 Agreement.

The Directors consider that the issue price is fair and reasonable and the issuance of the Consideration Shares at the issue price is in the interests of the Company and the Shareholders as a whole.

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 275,917,480 Shares, representing 20% of the issued share capital of the Company as at the date on which the General Mandate was granted. Accordingly, the allotment and issuance 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 issued and fully paid, will rank *pari passu* in all respects with each other and with the Shares in issue at the time of issuance of the Consideration Shares.

Conditions Precedent

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

- (i) the Purchaser completing and being satisfied as to the results of the due diligence undertaken on the Target Company;

- (ii) the Vendor having amended the articles and changed the legal representative, executive directors, supervisors and senior management of the Target Company to the satisfaction of the Purchaser and completed the registration procedures in respect of the share transfers contemplated under the Agreement;
- (iii) the Purchaser having received settlement proof of all those claims and liabilities of the Target Company and the School specified in the Agreement or approval from the Vendor for adjustment to Consideration;
- (iv) the Vendor having assisted the Purchaser to complete the signing of the documents relating to the contractual arrangements;
- (v) the Vendor having solved certain issues relating to a joint education program;

Save for conditions precedent (ii) above, the Purchaser may waive any of the conditions precedent set out in the Agreement. In the event that the conditions are not fulfilled or waived (as the case may be) on or before 31 December 2018, the Agreement (other than the provisions in respect of expenses, confidentiality, breach and dispute resolution) shall terminate and the parties shall be released from their obligations under the Agreement save and except for rights and remedies available to the non-defaulting party in relation to any breach prior to termination.

INFORMATION OF THE GROUP

The Group has over twenty three years' experience in providing quality bilingual K-12 educational services in China and Canada by combining the merits of both western and Chinese educational philosophies. The Group's high schools (for students from grade 10 to 12) are certified by the Ministry of Education of British Columbia, Canada and Chinese educational authorities respectively allowing our graduates to receive both a fully accredited British Columbia diploma and a Chinese diploma. Furthermore, all our high schools, foreign nationals schools and Maple Leaf Educational Systems have been accredited by AdvancED, the largest school accreditation agency in the United States of America. The Group targets students from middle-class families who aim to pursue higher education abroad and charge affordable and competitive tuition fees.

INFORMATION ON THE VENDOR AND TARGET COMPANY

The Vendor was established in 1996 and is primarily engaged in enterprise headquarter management, property management as well as software development in the PRC. The Target Company, a company established in the PRC with limited liability in 2011, is principally engaged in the operation of the School, being a grade 1 to 9 boarding school located in Luzhou, Sichuan Province. The School has approximately 66,536 square metres of land and a building area of approximately 90,885 square metres. In addition, the School has 90 classrooms as well as multi-purpose rooms such as science labs, arts studios and multimedia rooms. The School has a total capacity of 3,500 students with a current student enrolment of more than 3,200 students and a teaching staff of 380 teachers. Annual tuition fees range from RMB20,000 (equivalent to approximately HK\$22,745) to RMB\$25,000

(equivalent to approximately HK\$28,432). The School's management team is well respected locally, and its teaching quality is exceptional, demonstrated by its excellent academic results (4 out of 5 highest scoring students of Luzhou in the 2018 municipal middle school exam were from the School).

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 Vendor for each of the two years ended 31 August 2017 and 31 August 2018:

	For the year ended 31 August 2017 (audited) RMB	For the year ended 31 August 2018 (audited) RMB
Net profit before tax	13,539,871	18,063,989
Net profit after tax	12,507,743	17,482,400
	As at 31 August 2017 (audited) RMB	As at 31 August 2018 (audited) RMB
Net asset value	250,282,285	262,300,068

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon completion of the Acquisition and subject to the obtaining of necessary permits/approvals from the relevant governmental authorities, the Group will assume operation of the School and integrate it into the Maple Leaf school system, thus further expanding its school network and continuing to build brand awareness in Chongqing and Sichuan Province. The School will be the second school of the Group's Chongqing educational park, adding a stable student source for, and therefore increasing enrolment at, the Group's Chongqing High school. Acquisition of the School will improve the profitability of the Group and strengthen its leading position in the education industry.

The Directors (including independent non-executive Directors) consider that the transactions under the Agreement are on normal commercial terms, and that the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. As the Consideration for the Acquisition will be satisfied in part by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

DEFINITIONS

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

“Acquisition”	the acquisition of 66% of the equity interest of the Target Company by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 10 December 2018 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Company”	China Maple Leaf Educational Systems Limited (中國楓葉教育集團有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the fifth business day after the fulfillment of the conditions precedent under the Agreement or such later date as may be agreed between the Purchaser and the Vendor
“Connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendor for the Acquisition pursuant to the Agreement

“Consideration Shares”	16,136,042 new Shares to be allotted and issued by the Company to the Vendor pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 23 January 2018 to allot, issue and deal with up to 275,917,480 Shares, representing 20% of the total number of issued Shares as at the date on which this general mandate was granted
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Last Trading Day”	10 December 2018, being the last trading day of the Shares before the signing of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“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
“School”	Luzhou No. 7 Jiade International School* (瀘州七中佳德國際學校) which is operated by the Target Company
“Share(s)”	ordinary share(s) of US\$0.0005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Luzhou No. 7 Jiade Education Investment Co., Ltd.* (瀘州七中佳德教育投資有限公司), a company established in the PRC with limited liability
“US\$”	United States dollars, the lawful currency of the United States
“Vendor”	Sichuan Wangshi Group Co., Ltd.* (四川王氏集團有限公司), a company established in the PRC with limited liability
“%”	per cent

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

Hong Kong, 10 December 2018

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. Xiaodan Mei and Mr. Lap Tat Arthur Wong as independent non-executive Directors.

* *For identification purposes only*