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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)**

### **COMPLETION OF SHARE TRANSACTION AND SUPPLEMENTAL SALE AND PURCHASE AGREEMENT**

Reference is made to the share transaction announcement of China Maple Leaf Educational Systems Limited (the “**Company**”) dated 10 December 2018 relating to the acquisition of 66% of the equity interest in the Target Company which involves the issuance of Consideration Shares under the General Mandate (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Board is pleased to announce that the Company had completed the acquisition of an aggregate of 75% equity in the Target Company on 24 January 2019.

Further information about the transaction is set out below.

#### **FURTHER INFORMATION IN RELATION TO THE ACQUISITION**

On 10 December 2018, the Purchaser had entered into the Agreement to acquire 66% equity interest in the Target Company from the Vendor. The 66% equity interest is comprised of 56% equity interest in the Target Company which was held by the Vendor and 10% equity interest which the Vendor had acquired from another shareholder of the Target Company (“**19% Shareholder**”) and which was in the process of being transferred to the Vendor.

On 27 December 2018, the Vendor entered into a sale and purchase agreement to acquire an additional 9% equity interest in the Target Company (“the **9% SPA**”) from the 19% Shareholder. The purchaser was provided the copy of the 9% SPA and then entered into an oral back to back agreement to acquire the additional interest with the Vendor. On 28 December 2018, the Vendor completed the registration procedure in relation to the 10% equity interest and 9% equity interest in the Target

Company. On the same day, the Vendor immediately initiated the registration procedures with SAIC and transferred its 56% equity interest followed by its 19% equity interest in the Target Company to the Purchaser pending the signing of a supplemental sale and purchase agreement (the “**Supplemental SPA**”), details of which are set out in the section titled “Supplemental SPA” below.

The Vendor and the Purchaser completed the PRC State Administration for Industry & Commerce registration procedure for the 75% equity interest in the Target Company on 28 December 2018.

## **SUPPLEMENTAL SPA**

On 27 December 2018, the Purchaser entered into an oral back to back agreement with the Vendor pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell an additional 9% of the Target Company’s equity interest owned by the Vendor (the “**Supplemental Acquisition**”) for a consideration of RMB25,200,000 (equivalent to approximately HK\$28,659,960), which will be satisfied in cash.

On 23 January 2019, the Purchaser signed the Supplemental SPA reflecting the terms of the oral back to back agreement and amending the terms of the Agreement, key details of which are set out below:

### **Subject Matter**

Pursuant to the Supplemental SPA, the Purchaser conditionally agreed to purchase 75% of the equity interest of the Target Company.

### **Consideration**

The consideration for the Acquisition and Supplemental Acquisition (the “**New Consideration**”) is RMB210,000,000 (equivalent to approximately HK\$238,833,000). 5% (being the sum of RMB10,500,000) of the New Consideration shall be withheld by the Purchaser and held as deposit for the performance of the Supplemental SPA and shall be used to cover any breach of warranties for nine months from the date of the Supplemental SPA. The remaining 95% will be satisfied in the following manner:

- (i) RMB50,000,000 shall be satisfied through the allotment and issuance of consideration shares (the “**Consideration Shares**”), approval for which will be applied for on the completion date (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;
- (ii) RMB55,000,000 to be paid in cash to the Vendor on the Completion Date (subject to any adjustment to the New Consideration as specified below);

- (iii) RMB42,000,000 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 Supplemental SPA within two months after the signing of the Supplemental SPA (subject to any adjustment to the New Consideration as specified below); and
- (iv) RMB52,500,000 to be paid after the signing of the Supplemental SPA 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 Supplemental SPA.

The New Consideration was agreed between the Purchaser and the Vendor after arm's length negotiation on the same basis as disclosed in the Announcement. The Directors consider that the New Consideration is fair and reasonable.

### **Adjustment to New Consideration**

In the event of any disparity with the list of liabilities of the Target Company and School as specified in the Agreement and Supplemental SPA, 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 New Consideration the sum corresponding to the increased liability.

### **Conditions Precedent**

The completion of the Agreement as amended by the Supplemental SPA ("**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 Supplemental SPA;
- (iii) the Purchaser having received settlement proof of all those claims and liabilities of the Target Company and the School specified in the Supplemental SPA or approval from the Vendor for adjustment to the New Consideration; and
- (iv) the Vendor having assisted the Purchaser to complete the signing of the documents relating to the contractual arrangements.

Save for conditions precedent (ii) above, the Purchaser may waive any of the conditions precedent set out in the Supplemental SPA. In the event that the conditions are not fulfilled or waived (as the case may be) on or before 31 January 2019, the Agreement and Supplemental SPA (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 and Supplemental SPA save and except for rights and remedies available to the non-defaulting party in relation to any breach prior to termination.

The reasons for and benefits of the Supplemental Acquisition are the same as those set out in the Announcement. The Directors (including independent non-executive Directors) consider that the transactions under the Supplemental SPA 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.

## **CONDITIONS PRECEDENT AND COMPLETION**

### **Fulfilment of Conditions Precedent Relating to Contractual Arrangements**

Due to the regulatory restrictions on foreign ownership of schools in the PRC, the Company conducts a substantial portion of its business by controlling its consolidated affiliated entities in the PRC through a series of contractual arrangements. Among the contractual arrangements in place since the listing of the Shares in 2014 is an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into among Dalian Beipeng Educational Software Development Inc., being a wholly owned subsidiary of the Company, the Purchaser and its subsidiary entities and Ms. Shu'E Ren, the sister of our chairman (the “**MCBC Agreement**”).

The MCBC Agreement stipulates that in the event the Purchaser subsequently acquires 50% or more interest or control in any subsidiary entity (the “**New Subsidiary Entity**”), the Purchaser shall procure the addition of such New Subsidiary Entity into the MCBC Agreement by having the New Subsidiary Entity execute a confirmatory document evidencing its agreement to be bound by the terms of the MCBC Agreement. Upon execution, the New Subsidiary Entity will be bound by the terms of the MCBC Agreement.

For more details on the MCBC Agreement, please refer to the section headed “Contractual Arrangements” in the prospectus of the Company dated 18 November 2014 and the annual reports of the Company from 2014 to 2018.

Pursuant to the terms of the Agreement, the Completion is conditional upon the Vendor assisting the Purchaser to procure the execution of the documents relating to the contractual arrangement by the Target Company and the School. On 28 December 2018, the Target Company and the School executed a confirmation document relating to the contractual arrangement pursuant to which the Target Company and the School was bound by the terms of the MCBC Agreement with effect from 28 December 2018.

## **FULFILMENT OF ALL THE CONDITIONS PRECEDENT AND THE COMPLETION**

The Board is pleased to announce that all conditions precedent set out in the Agreement as amended by the Supplemental SPA have been fulfilled and Completion took place on 24 January 2019 in accordance with the terms and conditions thereof. Pursuant to the terms of the Agreement and the Supplemental SPA, the New Consideration was adjusted to RMB177,000,000 (equivalent to approximately HK\$201,302,100). Accordingly, RMB22,000,000 in cash was paid to the Vendor on 24 January 2019 and 16,136,042 Consideration Shares (representing approximately 0.539% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares) may be allotted and issued to the Vendor on pending approval from the Listing Committee of the Stock Exchange.

### **Listing Rule Implications**

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

As a result of the Acquisition and Supplemental Acquisition, the Target Company is now owned as to 75% by the Purchaser and together with the School, have now become consolidated affiliated entities of the Company.

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

Hong Kong, 28 January 2019

*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*