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## **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)**

### **MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF STAR READERS PTE. LTD.**

**Sole Financial Adviser to the Company**



**BNP PARIBAS**

#### **THE ACQUISITION**

The Board is pleased to announce that on 19 June 2020 (after trading hours), the Company, the Purchaser and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement.

The Target Company is the sole shareholder of Canadian International School Pte Ltd (“**CIS Pte Ltd**”), the operator of Canadian International School (“**CIS**”) in Singapore. CIS is a leading private education institution and one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment.

Upon First Closing, the Purchaser will acquire 90% of the issued share capital of the Target Company, and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company. Upon the Second Closing, the Target Company will become an indirect wholly-owned subsidiary of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, Dr. Shu Liang Sherman Jen and Sherman Investment Holdings Limited, being a closely allied group of Shareholders, together hold approximately 51.67% of the total issued Shares. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Sale and Purchase Agreement upon satisfaction of the conditions set out under Rule 14.44 of the Listing Rules.

## **GENERAL**

A circular containing, among others, further details of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, (ii) the financial information and other information of the Company and the Target Group will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular to no later than 31 August 2020.

**The Acquisition is conditional upon fulfilment or waiver of certain conditions precedent including the requisite Shareholders' approval, and may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.**

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The Target Company is the sole shareholder of CIS Pte Ltd, the operator of CIS, a leading private education institution and one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment.

Upon the First Closing, the Purchaser will acquire 90% of the issued share capital of the Target Company, and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company. Upon the Second Closing, the Target Company will become an indirect wholly-owned subsidiary of the Company.

## **The Sale And Purchase Agreement**

### **Date**

19 June 2020

### **Parties**

- (1) the Company;
- (2) the Seller; and
- (3) the Purchaser (collectively, the “**Parties**”, each a “**Party**”)

As at the date of this announcement, the Target Company is owned as to 100% by the Seller.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller and its ultimate beneficial owners are Independent Third Parties.

### **Interest to be acquired**

Pursuant to the Sale and Purchase Agreement, the Seller has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company.

### **Consideration**

Subject to the possible adjustments to the Consideration as set out in the sections below headed “Closing Adjustment”, EBITDA Adjustment Amount, “Enrolment Adjustment Amount” and “Earn-out Amount”, the aggregate consideration payable for the Sale Shares and the settlement of the Bank Debt is SGD680,000,000 (“**Closing Amount**”) which shall be settled by cash in two tranches:

#### *First Tranche Consideration*

Subject to Closing Adjustment, the First Tranche Consideration as set out below shall be settled in cash in the following manner on the First Closing Date:

- (i) an amount for the full settlement of the Bank Debt as at the First Closing Date shall be payable by the Purchaser to the Bank or such other person as directed by the Seller to facilitate the full settlement of the Bank Debt; and
- (ii) an amount equivalent to the Closing Amount minus the amount for the full settlement of the Bank Debt (“**Shares Consideration**”) x 90% shall be payable by the Purchaser to the Seller or such other person(s) as directed by the Seller.

### *Second Tranche Consideration*

The Second Tranche Consideration shall be settled in cash on the Second Closing Date and shall be determined depending on the Adjusted EBITDA for Academic Year 2022.

If the Adjusted EBITDA for Academic Year 2022 is SGD51,400,000 or more:

$$\text{Second Tranche Consideration} = \text{A} + \text{B} + \text{C} + \text{D} - \text{E} - \text{F}$$

where:

**A** = 10% x Shares Consideration

**B** = 10% of the Closing Adjustment (i.e. B is 10% of the absolute value of the Closing Adjustment if the Closing Adjustment is a positive figure, and B is negative 10% of the absolute value of the Closing Adjustment if the Closing Adjustment is a negative figure)

**C** = 10% x 14 x (Adjusted EBITDA for Academic Year 2022 minus SGD51,400,000), provided that such amount "C" shall be capped at a maximum of SGD8,400,000

**D** = 10% x Cash Profits, provided that such amount "D" shall be capped at a maximum of SGD20,000,000

**E** = Dividends received by the Seller (if any) between First Closing and Second Closing

**F** = 10% x leakage as determined in accordance with the terms of the Sale and Purchase Agreement

If the Adjusted EBITDA of Academic Year 2022 is less than SGD51,400,000:

$$\text{Second Tranche Consideration} = \text{A} + \text{B} - \text{C} - \text{D}$$

where:

**A** = 10% x Shares Consideration

**B** = 10% of the Closing Adjustment (i.e. B is 10% of the absolute value of the Closing Adjustment if the Closing Adjustment is a positive figure, and B is negative 10% of the absolute value of the Closing Adjustment if the Closing Adjustment is a negative figure)

**C** = Dividends received by the Seller (if any) between First Closing and Second Closing

**D** = 10% x leakage as determined in accordance with the terms of the Sale and Purchase Agreement

The Consideration is to be settled through a combination of debt financing and internal resources of the Group.

### **Closing Adjustment**

The First Tranche Consideration will be adjusted by the Closing Adjustment, which shall be derived based on the closing statements of the Target Group as determined pursuant to the Sale and Purchase Agreement.

Payments made pursuant to the Closing Adjustment in respect of the First Tranche Consideration shall be made on or before 10 Business Days after the date on which the closing statements are determined pursuant to the Sale and Purchase Agreement.

If the Closing Adjustment:

- is a negative figure, the Seller shall repay to the Purchaser an amount equal to 90% of the absolute value of the Closing Adjustment as a reduction in the First Tranche Consideration.
- is a positive figure, the Purchaser shall pay to the Seller an additional amount equal to 90% of the absolute value of the Closing Adjustment as an increase in the First Tranche Consideration.
- is zero, there shall be no adjustment in the First Tranche Consideration.

### **Earn-out Amount**

The Purchaser shall pay to the Seller the earn-out amount within 10 Business Days after the date on which the earn-out enrolment statement is determined pursuant to the Sale and Purchase Agreement.

The earn-out amount shall be determined as follows:

$$\text{Earn-Out Amount} = \{[(A \div 11) - 3,250] \div (3,500 - 3,250)\} \times B$$

where:

**A** = The aggregate number of fee-paying students of CIS in each of the 11 months from 1 August 2020 to 30 June 2021 (both months inclusive). The number of fee-paying students in a month shall be the number of individual student identification numbers against which tuition fee revenue has been recognised.

**B** = SGD40,000,000

The earn-out amount shall be capped at a maximum of SGD40,000,000. If the earn-out amount is zero or a negative number, no amount shall be paid to the Seller.

In the event that the Second Closing fails to occur for any reason other than the Purchaser's default in the performance of its obligations to pay the Second Tranche Consideration, the Seller shall pay 10% of the earn-out amount to the Purchaser within 10 Business Days after Second Closing Date.

## **EBITDA Adjustment Amount**

In the event that the Adjusted EBITDA for Academic Year 2020 is less than SGD51,400,000, the Seller shall pay to the Purchaser the EBITDA adjustment amount (“**EBITDA Adjustment Amount**”) calculated pursuant to the formula below. Such payment shall be made within 10 Business Days after the date on which the EBITDA computation statement is determined pursuant to the Sale and Purchase Agreement.

The EBITDA Adjustment Amount shall be determined as follows:

$$\text{EBITDA Adjustment Amount} = (A - B) \times 14$$

where:

**A** = SGD51,400,000

**B** = Adjusted EBITDA for Academic Year 2020

Solely for the purpose of calculating the EBITDA Adjustment Amount, “**Adjusted EBITDA**” means in relation to the Academic Year 2020, the net profit after tax of CIS Pte Ltd for such period based on its management accounts prepared by the management based on accounting policies normally adopted by CIS Pte Ltd, which are generally consistent with FRS, which shall be adjusted for the following items in the following manner:

- (a) income tax shall be added back;
- (b) net interest expense shall be added back;
- (c) depreciation and amortisation (including, for the avoidance of doubt, amortisation of right-of-use assets recognised as a result of implementation of the FRS 116 accounting standard) shall be added back;
- (d) any rental payments which would have been recognised in the net profit before tax of CIS Pte Ltd had the FRS 116 accounting standard not been implemented shall be subtracted;
- (e) loan-related fees shall be added back;
- (f) professional consultancy fees incurred for the Proposed Project shall be added back;
- (g) any gains or losses from disposal of fixed assets, or write-offs of fixed assets shall be added back or subtracted as the case may be;
- (h) any gains or losses from fair value change of financial derivatives or unrealised gains or losses from foreign exchange shall be added back or subtracted as the case may be; and
- (i) 75% of the one-off payment made to a former executive of CIS Pte Ltd in April 2020 shall be added back.

If the EBITDA Adjustment Amount is zero or a negative number, no amount shall be paid to the Purchaser.

In the event that the Second Closing fails to occur solely by reason other than the Seller's default in the performance of its closing obligations in respect of the Second Closing, the Purchaser shall pay 10% of the EBITDA Adjustment Amount to the Seller within 10 Business Days after Second Closing Date.

### **Enrolment Adjustment Amount**

In the event that the total student enrolment at CIS (including non-fee-paying students) is less than 3,000 both:

- (a) as at 31 August 2020; and
- (b) as at 31 January 2021,

the Seller shall pay to the Purchaser an enrolment adjustment amount ("**Enrolment Adjustment Amount**") calculated pursuant to the formula below within 10 Business Days after the date on which the enrolment adjustment statement is determined pursuant to the Sale and Purchase Agreement.

The Enrolment Adjustment Amount shall be determined as follows:

$$\text{Enrolment Adjustment Amount} = 0.1 \times (\mathbf{A} + \mathbf{B} - \mathbf{C})$$

where:

**A** = Shares Consideration

**B** = Closing Adjustment (i.e. B is the absolute value of the Closing Adjustment if the Closing Adjustment is a positive figure, and B is negative of the absolute value of the Closing Adjustment if the Closing Adjustment is a negative figure)

**C** = 10% x Leakage as determined in accordance with the terms of the Sale and Purchase Agreement

If the Enrolment Adjustment Amount is zero or a negative number, no amount shall be paid to the Purchaser.

In the event that the Second Closing fails to occur solely by reason other than the Seller's default of its closing obligations in respect of the Second Closing, the Purchaser shall pay 10% of the Enrolment Adjustment Amount to the Seller within 10 Business Days after Second Closing Date.

### **Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the Parties on normal commercial terms after taking into consideration, among other things, (i) the historical business operation and financial performance of the Target Company; (ii) the Adjusted EBITDA for Academic Year 2020; (iii) the future business prospects of the Target Company; (iv) the financial ratios of recent comparable transactions involving companies operating K-12 schools in the Southeast Asia region; and (v) the reasons for the Acquisition as described under the section headed "Reasons for the Acquisition and Benefits to the Group".

## **Conditions Precedent**

The First Closing of the Sale and Purchase Agreement is conditional upon the satisfaction of all of the following conditions:

- (i) the Seller having obtained the consent by the Government of the Republic of Singapore under the tenancy agreements made between the Government of the Republic of Singapore (as landlord) and CIS Pte Ltd (as tenant) on terms (if any) reasonably satisfactory to the Purchaser; and
- (ii) the requisite shareholders' approval of the Company for the purchase of the Sale Shares on the terms and conditions of the Sale and Purchase Agreement having been obtained in accordance with the requirements of the Listing Rules.

If any of the conditions is not satisfied on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate (other than the surviving provisions as specified in the Sale and Purchase Agreement which shall continue to have full force and effect) and none of the parties of the Sale and Purchase Agreement shall have any claim against the other under the Sale and Purchase Agreement, save for any claim arising from a breach of the terms thereof.

## **Completion**

First Closing shall take place on the 5th Business Day after notification of the satisfaction of the last of the conditions as set out in the paragraph headed "Conditions Precedent" above, or at such other date as may be agreed in writing between the Purchaser and the Seller.

Subject to the First Closing pursuant to the Sale and Purchase Agreement, the Second Closing shall take place 70 Business Days after the end of Academic Year 2022, provided that if the Seller gives a notice to dispute the computation statement for the purpose of determining the Second Tranche Consideration, it shall be 10 Business Days after the date on which the process for the determination of the statement for the calculation of the Second Tranche Consideration is complete.

Upon the First Closing, the Purchaser will acquire 90% of the issued share capital of the Target Company, and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

Upon the Second Closing, the Target Company will become an indirect wholly-owned subsidiary of the Company.

During the period commencing on the First Closing Date to the date ending on the Second Closing Date, the Seller shall be entitled to one board seat on the CIS Pte Ltd's board and appoint one observer to the CIS Pte Ltd's board.



## **Guarantee**

The Company shall unconditionally guarantee to the Seller the due and punctual performance and observance by the Purchaser of all its obligations, commitments, undertakings and warranties under or pursuant to the Sale and Purchase Agreement.

## **Non-Competition of the Seller**

The Seller undertakes to the Purchaser that it will not, and shall procure that no member or director of any member of the Seller's group which is a corporation shall, in any relevant capacity during the period commencing on the calendar day immediately following the First Closing Date and for a period of 30 months thereafter:

- (i) save as permitted under the Sale and Purchase Agreement or except as duly authorised by the Target Company, reveal to any person, firm or company any of the trade secrets, secret or confidential operations, processes or dealings or confidential information of the Target Group or any information concerning the organisation, business, finances, transactions or affairs of the Target Group which may come to his/her knowledge during his/her/its engagement or disclose any confidential information entrusted to him/her/its and shall not use or attempt to use any such information in any manner which may injure or cause loss either directly or indirectly to the members of the Target Group. This restriction shall cease to apply to information or knowledge, which may come into the public domain; and
- (ii) induce or seek to induce the former chief executive officer of CIS Pte Ltd, the chief executive officer of any members of the Target Group and/or any person who is a member of the key management team to become employed or provide services, whether as employee, consultant or otherwise, by the Seller's group.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is a limited company incorporated in Singapore and is an investment holding company. It is the sole shareholder of CIS Pte Ltd, a limited company incorporated in Singapore and the operator of CIS. Established in 1990, CIS is one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment.

Operating under the Canadian International School brand, CIS delivers the International Baccalaureate ("IB") curriculum to Nursery/Pre-Kindergarten up to grade 12 students, with approximately 3,500 students across two campuses, the Tanjong Katong campus located in eastern portion of the Central Region of Singapore and the Lakeside campus, located in the West Region Singapore and which is undergoing expansion.

CIS's students consistently achieve strong IB Diploma Programme results with pass rates and average scores that are significantly above the global average. It is a fully accredited education institution by IB World School, Edutrust and Western Association of Schools and Colleges. CIS is well known for its culturally diverse community represented by over 74 nations across its students and faculty staff, and its highly acclaimed bilingual English/Chinese program where students are fully immersed culturally and taught by qualified native speakers who are also IB trained.

CIS Pte Ltd is also the sole shareholder of Canadian School of Advanced Learning Pte Ltd, a limited company incorporated in Singapore with the principal business of operating commercial school. It is currently dormant.

## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the consolidated unaudited financial information of the Target Group for the two financial years ended 31 December 2018 and 31 December 2019, respectively:

	<b>For the financial year ended 31 December 2018 (Unaudited) <i>(approximately SGD million)</i></b>	<b>For the financial year ended 31 December 2019 (Unaudited) <i>(approximately SGD million)</i></b>
Revenue	107.1	118.0
Profit before tax	22.1	27.2
Profit after tax	16.0	20.6

The unaudited total assets and the unaudited net assets of the Target Group as at 31 December 2019 were approximately SGD423.4 million and SGD92.8 million, respectively. The Bank Debt as at 31 December 2019 was approximately SGD236.8 million.

## PROFIT FORECAST

In the event that the Adjusted EBITDA for Academic Year 2020 is less than SGD51,400,000, the Consideration will be adjusted by the EBITDA Adjustment Amount. The Adjusted EBITDA is derived from the projected net profit of CIS Pte Ltd for Academic Year 2020, which is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable to the Acquisition. For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions upon which the profit forecast is based are as follows:

- CIS Pte Ltd will continue to be principally engaged in the provision of K-12 education services. CIS Pte Ltd will be able to continue its business in the foreseeable future and will not be adversely interrupted by any force majeure events or unforeseeable factors, including, fire, disease, epidemics other than COVID-19, and labour disputes;
- There will be no material changes in existing government policies, or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in Singapore during the forecast period;
- CIS Pte Ltd's operations will not be significantly affected by interruptions caused by failing to obtain the relevant approvals and permits relating to operations in the education industry or from any Singapore government authority;

- There will be no safety or liability claim, nor any negative publicity to CIS’s brand;
- The tuition fees that CIS Pte Ltd has received in advance prior to April 2020 will be fully recognised as revenue over the remaining period in the forecast period;
- It is assumed that the conversion ratio of the number of new applications for student enrollment will remain consistent to its historical record;
- It is assumed that the level of confirmation fee to be received by CIS Pte Ltd will remain constant to the level of confirmation fee it has previously received;
- CIS Pte Ltd will be able to retain its key personnel or obtain adequate replacements to support its ongoing operations; and
- There will be no further material adverse impact associated with the COVID-19 outbreak to the operation of CIS Pte Ltd.

BNP Paribas Securities (Asia) Limited (“**BNPP**”), the sole financial adviser of the Company, has reviewed the principal assumptions upon which the profit forecast was based on and is satisfied that the profit forecast has been made by the Directors after due and careful enquiry. Deloitte Touche Tohmatsu (“**Deloitte**”), the reporting accountant of the Company, has reviewed the accounting policies and calculations for the profit forecast.

The experts who have given their opinion and advice included in this announcement have the following qualifications:

<b>Name</b>	<b>Qualifications</b>
BNP Paribas Securities (Asia) Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountant

As of 17 June 2020, BNP Paribas S.A. Group, where BNPP is one of its subsidiaries, was interested in 186,000 shares of the Company. Save as disclosed above, each of BNPP and Deloitte does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group as at 17 June 2020. Each of BNPP and Deloitte has given and has not withdrawn its consent to the publication of this announcement with inclusion of all references to its name in the form and context in which it appears in this announcement.

## **REASONS FOR THE ACQUISITION AND BENEFITS TO THE GROUP**

The Company targets to be a leading global education group operating premium international schools. The Acquisition can benefit the Company and its shareholders in the long term for the following reasons:

### **1. Expand into the attractive international school sector in South East Asia in line with the Company's Sixth Five-Year Plan**

The Acquisition is in line with the Company's sixth five-year plan from 2020/21 to 2024/25 academic year (the "**Sixth Five-Year Plan**") to expand internationally and is the second transaction by the Company in the ASEAN region following the acquisition of Kingsley Edugroup Limited in Malaysia in March 2020. The Company's goal is to establish 10 educational school districts in the PRC and 2 educational school districts in North America and Asia Pacific areas with an estimated overall target enrolment of 110,000 students by the end of the Sixth Five-Year Plan.

Singapore's position as the economic and financial hub for ASEAN as well as its stable political environment, well-educated and English-speaking workforce, high quality of living, excellent infrastructure and low crime rate, have attracted many foreign multinational corporations, investment and foreign talent. The country has a growing non-resident population of 1.7 million. In addition, Singapore has a sound and fairly conservative fiscal management policy enabling it to withstand recessionary shocks better than many economies in Asia. This has made Singapore one of the most attractive K-12 markets in the world given its long-term predictability and resilience and has attracted international K-12 education groups

### **2. Acquire one of the leading, sizeable education institutions in Singapore**

CIS is the one of the largest players in the for-profit premium international school segment in Singapore with strong brand equity and scarcity value. It is widely trusted by students, parents and faculty staff as evidenced by high parent satisfaction rate in Singapore. CIS offers unique curriculum and is particularly well known in the market for its acclaimed English/Chinese bilingual programme which was a key driver in the student enrolment increase from approximately 2,900 students in August 2016 to approximately 3,500 students in May 2020. CIS has a growing market share of approximately 20% in terms of student enrolment in the for-profit premium international schools segment. CIS operates best-in-class academic facilities located in popular expatriates family areas in the eastern part of the Central Region in Singapore (Tanjong Katong) and the emerging Jurong Lake District, which is positioned as Singapore's second central business district.

Upon completion of the Acquisition, CIS will add a capacity of over 4,100 students to MLES's current total capacity of approximately 67,200 students (inclusive of Kingsley Edugroup), bringing the enlarged group's total student capacity to over 71,300, an increase of 6%. The total student enrolment will increase by approximately 3,500 students from 43,500 students (inclusive of Kingsley Edugroup) to 47,000, an increase of 8%.

**3. Enhance the Company's market positioning with one of the most renowned brands in Singapore**

CIS's well-established brand name and high market visibility are expected to facilitate MLES's further expansion in ASEAN. In particular, CIS Pte Ltd has registered the CIS trademarks in Indonesia, Philippines, Myanmar and Thailand and is in the process of registering its trademark in Vietnam. The Company believes that by combining both the Company's and CIS Pte Ltd's brands, it would be in a position to tap into the other regional markets to establish new campuses and offer bilingual programmes.

**4. Strengthen the Group's international operations and diversify revenue stream geographically**

The Acquisition is in line with the objective of building a leading multinational K-12 education group. It will strengthen the Company's international operations and gradually diversify the revenue stream generated from outside PRC.

**5. Create potential synergies from combination of complementary expertise and exchange programs**

The Acquisition will allow the Company to tap the excellent academic track record, strong IB program and differentiated interdisciplinary programmes of CIS, including specifically the English/Chinese bilingual programme which the Company aims at further enhancing and promoting, leveraging on its resources and expertise of operating international schools in the PRC.

Given the growing economic influence of the PRC in the ASEAN region, it is expected that Singapore will continue to witness further investments from Chinese companies and increasing immigration of PRC nationals. With a presence in 22 cities in the PRC, the Company is ideally positioned to promote the global network of schools it operates in various geographies, including CIS in Singapore and would be able to leverage on its existing marketing channels to source prospective students as well as to recruit native Chinese academic staff. The Company may also benefit from CIS's 30-year track record in Singapore in establishing and promoting a new campus at Hillside Drive in Singapore, which the Company acquired in 2016. The Hillside Drive school has a capacity of 800 students and is currently leased to Hillside World Academy until 31 October 2020, subject to renewal by the parties.

In combination with the acquisition of Kingsley Edugroup Limited, CIS Pte Ltd will provide the Company with a solid and stable platform for further expansion and growth in the ASEAN region through potential bolt-on acquisitions as well as organic growth.

In light of the above, the Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, Dr. Shu Liang Sherman Jen and Sherman Investment Holdings Limited, being a closely allied group of Shareholders, together hold approximately 51.67% of the total issued Shares. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting of the Company to approve the terms of, and the transactions contemplated, under the Sale and Purchase Agreement upon satisfaction of the conditions set out under Rule 14.44 of the Listing Rules.

Dr. Shu Liang Sherman Jen and Sherman Investment Holdings Limited, together hold 1,547,926,668 Shares, representing approximately 51.67% of the total issued Shares having the right to attend and vote at a general meeting of the Company, details of which are set out below:

<b>Name of beneficial owners</b>	<b>Name of registered owners</b>	<b>No. of Shares</b>
Dr. Shu Liang Sherman Jen	Dr. Shu Liang Sherman Jen	64,286,850
Dr. Shu Liang Sherman Jen	Sherman Investment Holdings Limited	1,483,639,818

As the basis in determining the Consideration of the Target Company has taken into account the Adjusted EBITDA for Academic Year 2020, which is regarded as a profit forecast under Rule 14.61 of the Listing Rules, further disclosure will be made by the Company, in compliance with Rules 14.60A and 14.62 of the Listing Rules, in the circular to be despatched to the Shareholders in accordance with the requirements under the Listing Rules.

## INFORMATION ON THE PARTIES

### The Company

The Company's first school was established in 1995 in Dalian in the PRC. It operates the largest network of private international schools in the PRC. As at 31 March 2020, the Company operates over 100 schools including high schools, middle schools, elementary schools, preschools and foreign national schools located in the PRC, Australia, Canada and Malaysia with more than 43,500 students enrolled in total.

The Company has introduced the new Maple Leaf World School Program (“**World School Program**”). Implementation of the World School Program will take place over a 3-year period commencing from September 2020. The Company’s first batch of graduates from the World School Program will receive the Maple Leaf High School Graduation Diplomas in June 2023, endorsed by Cognia (formerly known as AdvancED), which is the largest, globally recognized school accrediting agency in the world. The Maple Leaf World School Program is a result of a process of optimisation and refinement based on the Canadian BC Program, which has been successfully implemented over the past 25 years. The Maple Leaf World School Program has obtained respectively the agreement with UK NARIC and accreditation of Cognia — two of the world’s main authoritative certification institutions — providing further assurance that Maple Leaf graduates will be able to transition seamlessly into universities across the globe.

### **The Purchaser**

The Purchaser is a newly setup limited company incorporated in Singapore and is a wholly-owned indirect subsidiary of the Company. It is principally engaged in holding investment activities.

### **The Seller**

The Seller is a limited company incorporated in Singapore and is principally an investment holding company. It is ultimately controlled by Southern Capital Fund III L.P., HPEF6 L.P. and HPEF6 Parallel L.P.

Southern Capital Fund III L.P. is managed by Southern Capital Group Private Limited (“**SCG**”). SCG is a private equity firm that focuses on control buyouts of high growth middle market businesses in Southeast Asia.

HPEF6 L.P. and HPEF6 Parallel L.P. are managed by the HPEF Capital Partners group (“**HPEF**”). HPEF is a private equity group that focuses on buyouts in small and mid-size companies in Asia, subsequently partnering with management to expand and enhance value.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Rainbow Readers and its ultimate beneficial owner are Independent Third Parties.

### **DESPATCH OF CIRCULAR**

A circular containing, among others, further details of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, (ii) the financial information and other information of the Company and the Target Group will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular to no later than 31 August 2020.

**The Acquisition is conditional upon fulfilment or waiver of certain conditions precedent including the requisite Shareholders’ approval, and may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.**

## DEFINITIONS

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

- “Academic Year” with reference to a year, means the 12 month period commencing from 1 August of the immediately preceding year to 31 July of the year of reference. For example, Academic Year 2021 means the period commencing 1 August 2020 to 31 July 2021
- “Acquisition” the purchase of the Sales Shares by the Purchaser from the Seller pursuant to the Sale and Purchase Agreement
- “Assumed Interest Cost” 350 basis points plus the 24-month average of the monthly 1-month floating Singapore Swap Offer Rate (as at the last Business Day of each month) (or any substitute rate stipulated by the Monetary Authority of Singapore) for Academic Year 2021 and Academic Year 2022
- “Adjusted EBITDA” in relation to the Academic Year 2021 and the Academic Year 2022, the net profit after tax of CIS Pte Ltd for such period based on its management accounts prepared by the management based on accounting policies normally adopted by CIS Pte Ltd, which are generally consistent with FRS, which shall be adjusted for the following items in the following manner:
- (a) income tax shall be added back;
  - (b) net interest expense shall be added back;
  - (c) depreciation and amortisation (including, for the avoidance of doubt, amortisation of right-of-use assets recognised as a result of implementation of the FRS 116 accounting standard) shall be added back;
  - (d) any rental payments which would have been recognised in the net profit before tax of CIS Pte Ltd had the FRS 116 accounting standard not been implemented shall be subtracted;
  - (e) loan-related fees shall be added back;
  - (f) professional consultancy fees incurred for the Proposed Project shall be added back;
  - (g) any gains or losses from disposal of fixed assets, or write-offs of fixed assets shall be added back or subtracted as the case may be;



- (h) any gains or losses from fair value change of financial derivatives or unrealised gains or losses from foreign exchange shall be added back or subtracted as the case may be; and
- (i) all other extraordinary and non-recurring items not captured in the above items, including non-operating income and non-operating expenses, shall be added back or subtracted as the case may be.

“Bank”	Oversea-Chinese Banking Corporation Limited
“Bank Debt”	the amount payable by CIS Pte Ltd to Oversea-Chinese Banking Corporation Limited for full settlement of CIS Pte Ltd’s borrowings, liabilities and obligations (including the cost to terminate and/or settle any interest rate swap) under or pursuant to the facility agreement between CIS Pte Ltd and Oversea-Chinese Banking Corporation Limited, as amended and restated under the amended and restatement agreement dated 7 June 2019 between the same parties
“Board”	the board of Directors of the Company
“Business Day”	a day which is not a Saturday, Sunday or public holiday in Singapore
“Cash Capex”	cash capex paid by CIS Pte Ltd (excluding any cash capex relating to the Proposed Project)
“Cash Profits”	an amount to be determined based on the following: (i) sum of Adjusted EBITDA for Academic Year 2021 and Adjusted EBITDA for Academic Year 2022; less (ii) sum of Cash Capex for Academic Year 2021 and Cash Capex for Academic Year 2022, capped at a total of SGD6,900,000; less (iii) 2 x Assumed Interest Cost x SGD225 million; less (iv) sum of Cash Taxes paid for Academic Year 2021 and Cash Taxes paid for Academic Year 2022
“Cash Taxes”	in the relevant Academic Year means (i) actual cash taxes paid by CIS Pte Ltd if the average bank borrowings on CIS Pte Ltd’s balance sheet across the 12-month period in the relevant Academic Year is SGD200 million or more; or (ii) actual cash taxes paid by CIS Pte Ltd less (17.0% x SGD109 million x Assumed Interest Cost), if the average bank borrowings on CIS Pte Ltd’s balance sheet across the 12-month period in the relevant Academic Year is less than SGD200 million

“CIS”	Canadian International School, a premium for-profit international school offering the International Baccalaureate Primary, Middle Years and Diploma programs to students from Nursery/Pre-Kindergarten to Grade 12
“CIS Pte Ltd”	Canadian International School Pte. Ltd., a company incorporated under the laws of Singapore and a wholly-owned subsidiary of the Target Company
“Closing Adjustment”	the sum of (i) the net working capital adjustment and (ii) the net cash adjustment, which shall be derived from the closing statements as determined pursuant to the Sale and Purchase Agreement
“Company”	China Maple Leaf Educational Systems Limited
“Completion”	completion of the Acquisition in accordance with the terms of the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Consideration”	the total consideration payable for the Acquisition pursuant to the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“First Closing”	closing of the acquisition of 90% of the issued share capital of the Target Company
“First Closing Date”	5th Business Day after notification of the satisfaction of the last of the conditions as set out in the Sale and Purchase Agreement
“First Tranche Consideration”	the aggregate of (i) the amount for full settlement of the Bank Debt and (ii) the amount equivalent to the Closing Amount minus the amount for the full settlement of the Bank Debt x 90%
“FRS”	the Singapore Financial Reporting Standards as prescribed by the Accounting Standards Council, as may be amended from time to time by the Accounting Standards Council
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IB”	International Baccalaureate

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling four months after the date of the Sale and Purchase Agreement (or such other date as may be agreed in writing between the Parties)
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“Proposed Project”	the proposed construction of a new four-storey educational institution block, basketball court, outer field and play area on the lakeside campus
“Purchaser”	Maple Leaf CIS Holdings Pte. Limited, a limited company incorporated in Singapore and a wholly-owned indirect subsidiary of the Company
“Sale and Purchase Agreement”	The conditional sale and purchase agreement dated 19 June 2020 entered into between the Company, the Purchaser and the Seller in relation to the Sale Shares
“Sale Shares”	the entire issued and paid-up share capital of the Target Company, comprising 78,649,493 ordinary shares
“Second Closing”	subject to First Closing, completion of the acquisition of the remaining 10% of the Sale Shares
“Second Closing Date”	subject to First Closing, 70 Business Days after the end of Academic Year 2022, provided that if the Seller gives a notice to dispute the computation statement for the purpose of determining the EBITDA Adjustment Amount or the Second Tranche Consideration, it shall be 10 Business Days after the date on which the process for the determination of statement for the calculation of the Second Tranche Consideration is complete
“Second Tranche Consideration”	consideration payable for the remaining 10% of the Sale Shares
“Seller”	Rainbow Readers Pte. Ltd., a limited company incorporated in Singapore and the sole shareholder of the Target Company as at the date of this announcement

“SFO”	Securities and Futures Ordinance (Cap. 571)
“SGD”	Singapore dollar(s), the lawful currency of Singapore
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Star Readers Pte. Ltd., a limited company incorporated in Singapore and a wholly-owned subsidiary of the Seller as at the date of this announcement
“Target Group”	the Target Company, CIS Pte Ltd and Canadian School of Advanced Learning Pte. Ltd.
“%”	per cent

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

Hong Kong, 22 June 2020

*As at the date of this announcement, the Board comprises Dr. 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. Alan Shaver and Mr. Lap Tat Arthur Wong as independent non-executive Directors.*