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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 DISPOSAL OF PROPERTY

DISPOSAL

The Board is pleased to announce that on 3 March 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Property at the Consideration of S\$80,000,000 (equivalent to approximately HK\$460,160,000).

The Property comprises (i) the piece of Land being the whole of Lot 99180L of Mukim 22 with a total site area of about 7,568.6 sq.m. for school use; (ii) four blocks of buildings of one to two storeys erected on the Land; and (iii) other improvements, including outdoor deck, basketball court, mini-football playing area and landscape pond, etc. The Property currently comprises approximately 30 classrooms including a music studio, science labs and arts studios as well as a multi-purpose hall, self study room and design and technology room.

The Property is currently leased to the Tenant, an independent third party K-12 school operator. The Property is sold subject to the Tenancy Agreement. The Tenancy Agreement will expire on 30 June 2022. If the tenancy has expired or is determined prior to Completion, the Property is sold with vacant possession.

IMPLICATIONS UNDER THE LISTING RULES

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened for the purpose of, among other matters, considering and, if thought fit, approving the Disposal, the Disposal Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the Disposal, the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Disposal, the Disposal Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules together with a notice of the EGM and a form of proxy will be despatched to the Shareholders on or before 14 April 2022 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Disposal Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 3 March 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Property at the Consideration of S\$80,000,000 (equivalent to approximately HK\$460,160,000).

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below:

Date

3 March 2022

Parties

Vendor: Maple Leaf Education Hillside Pte. Ltd. (formerly known as Lucrum Development (Singapore) Pte. Ltd.), an indirect wholly-owned subsidiary of the Company

Purchaser: NPS International School Pte. Ltd.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the ultimate beneficial owners of the Purchaser are 13 individuals, namely Krishnan Manoj Gopal, Sabitha Ramamurthy, Venkatraman Anantha Nageswaran, Shankar Balasubramanian, Alamelu Balasubramanian, Manjula Radhakrishnan, Sreeperumbudur Candhadai Ramya, Mahadevan Suryasekhar, Tristha Kacharakanahally Ramamurthy, Hari Krishnan, Kacharakanahally Ramamurthy Jayadeep, Bindu Harikrishnan and Kollem Parampil Padmanabhan Gopalakrishnan; and (ii) the Purchaser and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons under Chapter 14A of the Listing Rules.

Assets to be disposed of

The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Property.

The Consideration

The Consideration payable by the Purchaser to the Vendor is S\$80,000,000 (equivalent to approximately HK\$460,160,000), which shall be paid by the Purchaser in the following manner:

- (1) a sum of S\$800,000 (equivalent to approximately HK\$4,602,000) ("**Earnest Money**"), being an amount equivalent to 1% of the Consideration, which has been paid to the Vendor's solicitors' conveyancing account in cash by way of cashier's order, shall be applied towards part payment of the Deposit and shall continue to be stakeheld by the Vendor's solicitors pending Completion and shall be released to the Vendor absolutely on Completion;
- (2) a sum of S\$3,200,000 (equivalent to approximately HK\$18,406,000) ("**Balance Deposit**"), being an amount equivalent to 4% of the Consideration, shall be paid to the Vendor's solicitors' conveyancing account in cash by way of cashier's order(s) on the date of the Disposal Agreement and shall be stakeheld by the Vendor's solicitors pending Completion and shall be released to the Vendor absolutely on Completion; and
- (3) a sum of S\$76,000,000 (equivalent to approximately HK\$437,152,000) ("**Balance Consideration**"), being an amount equivalent to 95% of the Consideration, shall be paid to the Vendor or such other parties as the Vendor may direct in cash by way of cashier's order(s) on Completion.

The Consideration was arrived after arm's length negotiations between the Vendor and the Purchaser after taking into consideration (i) the preliminary valuation of the Property of S\$69,000,000 (equivalent to approximately HK\$396,888,000) as at 15 February 2022 conducted by an independent professional property valuer appointed by the Group; and (ii) the type, quality, capacity, location and prospects of the Property.

Conditions precedent

Completion is subject to and conditional upon the satisfaction of the following conditions:

- (1) the Purchaser obtaining the ABSD Remission by the date falling four weeks after the date of the Disposal Agreement (“**ABSD Deadline**”);
- (2) the Vendor obtaining the written consent from the existing lender(s) of its related company, Canadian International School, for the sale of the Property to the Purchaser by the date falling 12 weeks from the date of the Disposal Agreement; and
- (3) the Company, the holding company of the Vendor, obtaining the approval of the Shareholders to the Vendor entering into the Disposal Agreement, the sale of the Property by the Vendor to the Purchaser and all other transactions contemplated under the Disposal Agreement by the date falling 12 weeks from the date of the Disposal Agreement;

or, in each case, such other date as may be agreed in writing between the Vendor and the Purchaser.

Under the Disposal Agreement, the Purchaser confirms that the application for the ABSD Remission has been submitted to the Inland Revenue Authority of Singapore and the Purchaser shall use its best endeavours to obtain the ABSD Remission. The Vendor shall give written notice to the Purchaser (“**Vendor Fulfilment Notice**”) within two Business Days after the Vendor’s receipt of the later of the conditions precedent in (2) and (3) above.

In the event the condition precedent in (1) above has not been fulfilled, the Purchaser may terminate the Disposal Agreement by serving notice in writing to the Vendor and furnishing to the Vendor a copy of the documentary evidence from the Inland Revenue Authority of Singapore that the ABSD Remission has been rejected, in which case, (i) neither party shall have any claim or demand against the other for damages, costs, compensation or otherwise save and except for any antecedent breach of the terms of the Disposal Agreement; (ii) the Purchaser shall forthwith, among other matters, return to the Vendor all the documents of title relating to the Property, and forward to the Vendor a copy of the Notification of Registration of Instruments from the Singapore Land Authority evidencing that the withdrawal of caveat(s) in respect of any caveat(s) lodged with Singapore Land Authority against the Property by the Purchaser or any person claiming through the Purchaser has been lodged, in exchange for refund of the Deposit and any other monies paid by the Purchaser to the Vendor under the Disposal Agreement in full by the Vendor to the Purchaser free of interest, set-off, withholding, deduction or compensation within five Business Days after the date of such written notice. If, by the next Business Day after the ABSD Deadline, the Purchaser does not give the above written notice to the Vendor to terminate the Disposal Agreement for non-fulfilment of the condition precedent in (1) above, such condition precedent shall be deemed fulfilled and the Purchaser shall thereafter not be entitled to terminate the Disposal Agreement for reason of non-fulfilment of the condition precedent in (1) above.

In the event that the condition precedent in (2) or (3) above has not been fulfilled, the Vendor may elect to terminate the Disposal Agreement by serving notice in writing to the Purchaser, in which case, (i) neither party shall have any claim or demand against the other for damages, costs, compensation or otherwise save and except for any antecedent breach of the terms of the Disposal Agreement; and (ii) the Purchaser shall forthwith, among other matters, return to the Vendor all the documents of title relating to the Property, and forward to the Vendor a copy of the Notification of Registration of Instruments from the Singapore Land Authority evidencing that the withdrawal of caveat(s) in respect of any caveat(s) lodged with Singapore Land Authority against the Property by the Purchaser or any person claiming through the Purchaser has been lodged, in exchange for refund of the Deposit and any other monies paid by the Purchaser to the Vendor under the Disposal Agreement in full by the Vendor to the Purchaser free of interest, set-off, withholding, deduction or compensation within five Business Days after the date of such written notice.

Under the Disposal Agreement, the Purchaser is entitled to terminate the Disposal Agreement prior to the date of Completion in the event that the Purchaser receives a reply to any legal requisition sent to applicable regulatory authorities of Singapore which materially adversely affects the Property or any part(s) thereof.

Completion

Completion shall take place on (i) the date falling 10 weeks after the date of the Disposal Agreement or (ii) the date falling two weeks after the Condition Fulfilment Date (whichever is later) (or such other date as may be agreed in writing between the Vendor and the Purchaser). The Property is sold subject to the Tenancy Agreement. On Completion, the Purchaser shall upon the Vendor's request and at the Vendor's election enter into either a novation agreement with the Vendor and the Tenant or an assignment with the Vendor in respect of the Tenancy Agreement. If the tenancy has expired or is determined prior to Completion, the Property is sold with vacant possession.

INFORMATION OF THE PROPERTY

The information of the Property is set out below:

Location of the Property: 11 Hillside Drive, Singapore 548926 (Lot 99180L of Mukim 22)

Total site area: Approximately 7,568.6 sq.m.

Gross Floor Area: Approximately 4,343.46 sq.m.

Existing use: School

The Property comprises (i) the piece of Land being the whole of Lot 99180L of Mukim 22 with a total site area of about 7,568.6 sq.m. for school use; (ii) four blocks of buildings of one to two storeys erected on the Land; and (iii) other improvements, including outdoor deck, basketball court, mini-football playing area and landscape pond, etc. The Property currently comprises approximately 30 classrooms including a music studio, science labs and arts studios as well as a multi-purpose hall, self study room and design and technology room.

The Property is currently leased to the Tenant, an independent third party K-12 school operator, at a monthly rent of S\$242,000 (equivalent to approximately HK\$1,392,000). Pursuant to the Tenancy Agreement, the existing lease will expire on 30 June 2022.

The carrying value of the Property as at 31 August 2021 was approximately RMB310,698,000 (equivalent to approximately HK\$384,862,000). For the years ended 31 August 2020 and 2021, the unaudited rental income and net profit before and after taxation attributable to the Property are as follows:

	For the year ended 31 August	
	2020	2021
	<i>Approximately</i>	<i>Approximately</i>
Rental income	S\$2,200,000 (equivalent to approximately HK\$12,654,000)	S\$2,860,000 (equivalent to approximately HK\$16,451,000)
Net profit before taxation	S\$1,848,000 (equivalent to approximately HK\$10,630,000)	S\$2,684,000 (equivalent to approximately HK\$15,438,000)
Net profit after taxation	S\$1,848,000 (equivalent to approximately HK\$10,630,000)	S\$2,684,000 (equivalent to approximately HK\$15,438,000)

INFORMATION OF THE PARTIES

Information of the Group and the Vendor

With over 26 years of experience in operating international schools in the PRC, the Group is one of the leading international school operators in the PRC in terms of student enrolment, offering high quality and bilingual education, combining the merits of both Western and Eastern educational philosophies. The Group also operates international schools in Southeast Asia under the brand “Canadian International School” (“CIS”) and “Kingsley International School”.

The Vendor, an indirect wholly-owned subsidiary of the Company, is a company incorporated in Singapore with limited liability on 16 August 2011. It is principally engaged in real estate activities and its principal asset is the Property.

Information of the Purchaser

The Purchaser is a company incorporated in Singapore with limited liability on 2 May 2007. It is principally engaged in operating international and foreign system schools in Singapore.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Property has been held by the Group as an investment property.

Reference is made to the announcement of the Company dated 25 July 2016. The Property was acquired by the Group in 2016 through acquisition of the entire issued share capital of the Vendor (“**2016 Acquisition**”), with a plan to hold the Property as an investment property during the continuance of the tenancy with the Tenant. Subject to the Property becoming vacant and the necessary licences having been obtained from the relevant authorities in Singapore for the operation of a foreign system school, the Group hoped to open its first bilingual school on the Property. However, the Group has expanded into the international school sector in Singapore through the acquisition of the operator of CIS in Singapore in 2020 instead. CIS is a leading private education delivering the International Baccalaureate curriculum and one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment. In addition, CIS is in the process of expanding the Lakeside campus, adding a new building with estimated capacity of 650 students. As the lease of another campus of CIS, Tanjong Katong campus, will expire in August 2023, the new building at the Lakeside campus will replace the Tanjong Katong campus. The targeted completion date of the new building will be at the end of January 2023 which enables CIS to use it for the entire semester 2 in academic year 2022/2023. The Directors are of the view that the expansion of the Lakeside campus could facilitate the centralised operations of CIS and save the operating costs as a whole. With the expansion of the Lakeside campus operated by CIS, the Board has been assessing the property market in Singapore and reviewing the Group’s options over the Property as held by the Group.

In view of the prospects of the property market in Singapore and taking into consideration the current financial position of the Group, the Directors are of the view that the Disposal gives a good opportunity for the Group to realise its investments with considerable gain to generate additional funding to the Group, and to reduce the overall liquidity risk of the Group. The 2016 Acquisition was partly funded by external borrowings from financial institutions and the Property is subject to a pledge. The net proceeds from the Disposal could be used partly for the repayment of such borrowings which are currently in an aggregate principal amount of S\$63.0 million (“**Relevant Borrowings**”) to improve the financial positions of the Group.

Having considered the reasons for and benefits of the Disposal as mentioned above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable, and the Disposal is in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Group will record an unaudited gain of approximately S\$14.4 million (equivalent to approximately HK\$82.8 million), representing the difference between the Consideration and the carrying value of the Property after deducting all estimated costs and expenses relating to the Disposal, on the date of Completion. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to the review and final audit by the auditors of the Company.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Disposal, after deducting all expenses and costs directly attributable thereto, will be approximately S\$79.0 million (equivalent to approximately HK\$454.4 million). The Company intends to apply such proceeds (i) as to approximately S\$63.0 million (equivalent to approximately HK\$362.4 million) to repay the Relevant Borrowings; and (ii) as to approximately S\$16.0 million (equivalent to approximately HK\$92.0 million) to fund any potential suitable acquisition opportunity(ies) as may be identified by the Company in the future.

IMPLICATIONS UNDER THE LISTING RULES

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened for the purpose of, among other matters, considering and, if thought fit, approving the Disposal, the Disposal Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the Disposal, the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Disposal, the Disposal Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules together with a notice of the EGM and a form of proxy will be despatched to the Shareholders on or before 14 April 2022 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Disposal Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“ABSD Remission”	the written approval from the Minister under section 74(1) of the Stamp Duties Act 1929 for remission of Additional Buyer’s Stamp Duty and the higher buyer’s stamp duty rate payable for residential properties, such that the stamp duty payable by the Purchaser on the purchase of the Property is equivalent to the stamp duty payable on the purchase based on the amount payable for non-residential properties, under the laws of Singapore
“Board”	the board of Directors of the Company
“Building”	the building(s) and structure(s) erected on the Land and where the context so admits, means any part thereof
“Business Day”	a day (other than a Saturday, Sunday or a gazetted public holiday in Singapore) on which commercial banks are open for business in Singapore
“Canadian International School”	Canadian International School Pte. Ltd., a company incorporated under the laws of Singapore with limited liability and an indirect non-wholly owned subsidiary of the Company
“Company”	China Maple Leaf Educational 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 of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Condition Fulfilment Date”	the date that the conditions precedent are satisfied which is the later of the ABSD Deadline (if the Purchaser does not serve a notice of termination in accordance with the Disposal Agreement) and the date of the Vendor Fulfilment Notice
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of S\$80,000,000 (equivalent to approximately HK\$460,160,000) payable by the Purchaser to the Vendor for the Disposal in accordance with the terms and conditions of the Disposal Agreement

“Deposit”	5% of the Consideration, being the sum of the Balance Deposit and the Earnest Money
“Directors”	the director(s) of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser in accordance with the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 3 March 2022 and entered into between the Vendor and the Purchaser in relation to the Disposal
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Disposal, the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“K-12”	preschool to grade 12 education
“Land”	the whole of Lot 99180L of Mukim 22 and situated at 11 Hillside Drive Singapore 548926
“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
“Property”	the Land and the Building erected thereon
“Purchaser”	NPS International School Pte. Ltd., a company incorporated in Singapore with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“S\$”	Singapore dollar, the lawful currency of Singapore
“Singapore”	the Republic of Singapore

“Share(s)”	the ordinary share(s) in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 8 October 2020 entered into between the Vendor and the Tenant in respect of the Property
“Tenant”	Hillside World Academy Pte. Ltd., a company incorporated under the laws of Singapore with limited liability
“Vendor”	Maple Leaf Education Hillside Pte. Ltd. (formerly known as Lucrum Development (Singapore) Pte. Ltd.), a company incorporated under the laws of Singapore with limited liability and an indirect wholly-owned subsidiary of the Company
%	per cent.

In this announcement, amounts in S\$ and RMB are translated into HK\$ on the basis of S\$1 = HK\$5.752 and RMB1 = HK\$1.2387 respectively. The conversion rates are for illustration purposes only and should not be taken as a representation that S\$ or RMB could actually be converted into HK\$ at such rate or at all.

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

Hong Kong, 3 March 2022

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; and Mr. Peter Humphrey Owen, Mr. Alan Shaver and Mr. Lap Tat Arthur Wong as Independent Non-executive Directors.

* *For identification purposes only*