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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)

CONNECTED TRANSACTION – ACQUISITION OF PROPERTY

Reference is made to the announcements of the Company dated 4 July 2023 in relation to the Investigation Report and the IC Review Report.

During the preparation of the interim report of the Company for the six months ended 28 February 2022, it has come to the attention of the Board that in November 2021, Dalian S&E as purchaser entered into the Acquisition Arrangement in relation to the Acquisition of the Property, a property located in Dongguan City, Guangdong Province, the PRC, at the purchase price of RMB40,000,000 whereby Dalian S&E acquired from Mr. Jen all the rights, title and obligations in relation to the Property and entered into the Pre-Sale Contract in respect of the Acquisition with the Developer as vendor.

Mr. Jen, an executive Director, the chairman of the Board and a Controlling Shareholder, is a connected person of the Company under Chapter 14A of the Listing Rules. Dalian S&E is a company incorporated in the PRC and is controlled by the Group by way of a series of contractual arrangement and is accounted for as a wholly-owned subsidiary of the Company.

The Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules as the highest applicable percentage ratios in respect of the Acquisition Arrangement exceeds 0.1% but less than 5% and the terms of the Acquisition Arrangement were on normal commercial terms, the Acquisition was subject to the reporting and announcement requirements but was exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 4 July 2023 in relation to the Investigation Report and the IC Review Report. According to the Independent Investigation, during the preparation of the interim report of the Company for the six months ended 28 February 2022, it has come to the attention of the Board that in November 2021, Mr. Jen proposed and requested the relevant parties to enter into the Acquisition Arrangement in relation to the Acquisition of the Property, a property located in Dongguan City, Guangdong Province, the PRC, at the purchase price of RMB40,000,000 whereby Dalian S&E as purchaser acquired from Mr. Jen all the rights, title and obligations in relation to the Property and entered into the Pre-Sale Contract in respect of the Acquisition with the Developer as vendor.

Further details of the Acquisition are set out below.

ACQUISITION OF PROPERTY

Background

Reference is made to the announcement of the Company dated 4 July 2023 in relation to the Investigation Report. As disclosed in the announcement, Mr. Jen decided to purchase two properties from the Developer, one of which was the Property, in May 2018. Due to the local policy, the property ownership certificate (不動產權證書) in respect of the Property had never been registered in the name of Mr. Jen after entering into the pre-sale contract and making payment for the consideration of the Property.

As set out in the 2021 Annual Report of the Company, the Group relocated its headquarters to Shenzhen in March 2021 and that the Shenzhen headquarters were officially launched at the commencement of 2022/2023 school year. The relocation of the Group's headquarters to Shenzhen was a strategic move intended to bolster the Group's further development and strengthen the Group's ability to recruit and retain talents for its expansions in the PRC and overseas. To support the long-term development of the Group, the management considered it necessary and decided to provide accommodation to the foreign employees and/or the senior management in the vicinity of the new headquarters. However, the Company recognised the scarcity of large villas in Shenzhen.

In light of the above, Mr. Jen stated that he had intended to transfer or sell the Property to the Group to support the Group's long-term development. Mr. Jen had no intention to make any profit from transferring the Property to Dalian S&E. Against such background and given that the ownership certificate was not issued, Mr. Jen agreed to forgo his rights, title and obligations in the pre-sale contract previously made between himself and the Developer in 2018 in respect of the Property and assign all such rights, title and obligations in relation to the Property to Dalian S&E at the original consideration of RMB40,000,000 through the Developer's internal ownership transfer procedure.

Given that at the time of such request was made, the certificate in respect of the Property had not been made to Mr. Jen, with the consent of the Developer, a new pre-sale contract (i.e. the Pre-Sale Contract) was initialed (草簽) and entered into by Dalian S&E as purchaser and the Developer as vendor in 2021.

Information of the Property

The information of the Property is set out below:

Location: A residential block No. 101, located at No. 26 in 2nd Zone of Dynamic Town, No. 1 Longping South Road, Guanjingtuo Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC* (中國東莞市鳳崗鎮官井頭村龍平南路一號大運城邦花園二區26號住宅樓101)

Gross floor area: Approximately 553.17 sq.m.

Existing use: Residential use

The Property is intended to be used by the Group as its senior management's quarters.

Acquisition Arrangement

The Acquisition Arrangement consists of the following arrangements:

- (a) in November 2021, Mr. Jen and Dalian S&E completed the formalities whereby Mr. Jen agreed to assign and Dalian S&E agreed to accept the assignment of all of Mr. Jen's rights, title and obligations in relation to the Property; and
- (b) on 16 November 2021, Dalian S&E, as the purchaser and the Developer initialed and entered into the Pre-Sale Contract in relation to the acquisition of the Property.

Consideration

The Consideration for the Acquisition is RMB40,000,000. No amount of the Consideration was payable by Dalian S&E to the Developer as the Pre-Sale Contract was entered into by the parties thereto to formalise the transactions contemplated under the Acquisition Arrangement.

The Consideration was determined after arm's length negotiations between the parties on normal commercial terms with reference to, among other things, (i) the original consideration of RMB40,000,000 paid by Mr. Jen for his then intended purchase of the Property in 2018; and (ii) the prevailing market prices of the Property based on the verbal communication with the staff of the Developer.

Property valuation was not performed before Dalian S&E purchased the Property. However, the Group has subsequently obtained a valuation report issued on 2 August 2022 on the Property from an independent professional property valuer. Based on such valuation report, which was prepared based on the direct comparison method where comparison based on recent asking prices of comparable properties within 12 months is made, the market value of the Property in existing state as at 1 November 2021 was RMB40,900,000.

The Consideration was satisfied by the Company on behalf of Dalian S&E to Mr. Jen in full through payment of approximately HK\$48,728,000 (equivalent to RMB40 million) on 10 November 2021. On 30 August 2022, the Company offset the amount due from the Company to Dalian High School with the amount due from Dalian S&E to the Company. On 29 August 2022, Dalian S&E paid RMB40 million to Dalian High School for the settlement of the amount due to Dalian High School.

Delivery of the Property

The long-term title certificate in respect of the Property was issued to Dalian S&E in June 2022.

INFORMATION OF THE PARTIES

The Group and the Purchaser

With over 28 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” and “Kingsley International School”, focusing on high schools that offer World School Program and bilingual education mainly within the PRC and Southeast Asia.

Dalian S&E, being the Purchaser, is a company incorporated under the laws of the PRC and an entity which the Group controls by way of a series of contractual arrangement and is accounted for as an indirect wholly-owned subsidiary of the Company.

Mr. Jen

Since the listing of the Shares on the Stock Exchange, Mr. Jen has been an executive Director, the chairman of the Board and a Controlling Shareholder. As at the date of this announcement, Mr. Jen and Sherman Investment Holdings Limited (indirectly wholly owned by a discretionary trust, of which Mr. Jen is the founder who can influence how the trustee exercises his discretion) are the Controlling Shareholders who were interested or deemed to be interested in 1,570,858,010 Shares and 1,483,639,818 Shares respectively (representing approximately 52.44% and 49.53% of the total issued share capital of the Company respectively). By virtue of the relationships described above, Mr. Jen is a connected person of the Company under Chapter 14A of the Listing Rules.

The Developer

The Developer is a company established under the laws of the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquires and public available information, (a) the Developer is principally engaged in property development in the PRC; (b) the Developer is ultimately owned by Wu Qunli* (吳群力) (with his attributable interests in the Developer being approximately 31.2%) and 24 other individuals each holding not more than approximately 15% of the attributable interests in the Developer; and (c) each of the Developer and its ultimate beneficial owner(s) is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION

The Company has relocated its headquarters to Shenzhen in March 2021. To support the long-term development of the Group, the management of the Group considered it necessary to provide accommodation to the foreign employees and/or the senior management. Having considered the then market value of the Property, the location and investment value of the Property, the Group's relocation of headquarters and the Group's available financial resources, the Directors are of the view that the Acquisition under the Acquisition Arrangement is beneficial to the Group's development.

As explained in "Acquisition of Property – Background" of this announcement above, the Pre-Sale Contract was initialed and entered into between the Developer and the Group at subsidiary level and in view of the results of the size test, the management of the Company concluded that the Acquisition itself was not a transaction discloseable under Chapter 14 of the Listing Rules, with the inadvertent overlook regarding Mr. Jen's involvement in the Acquisition Arrangement. As such, the Company did not publish announcement in a timely manner in accordance with the requirements of the Listing Rules.

In the course of the preparation of the interim report of the Company for the six months ended 28 February 2022, the relevant professional parties brought to the Company's attention that by virtue of the fact that Mr. Jen being a connected person of the Company and his interests in the transaction contemplated in the Acquisition Arrangement, relevant disclosure in relation to the transaction contemplated under the Acquisition Arrangement is required under Chapter 14A of the Listing Rules. The Directors reiterated that they have no intention for such non-compliance and the non-compliance was solely due to the reasons as stated above and would also like to stress that legal and regulatory compliance has long been an important culture of the Group and that it has always treated compliance with the Listing Rules as a top priority.

The Directors (including the independent non-executive Directors) consider that the terms of the Pre-Sale Contract are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the entering into the Pre-Sale Contract is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

By virtue of the fact that Mr. Jen is a connected person of the Company as mentioned above, the transactions contemplated under the Acquisition Arrangement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules as the highest applicable percentage ratios in respect of the Acquisition Arrangement exceeds 0.1% but less than 5% and the terms of the Acquisition Arrangement were on normal commercial terms, the Acquisition Arrangement was subject to the reporting and announcement requirements but was exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS IN RELATION TO THE ACQUISITION ARRANGEMENT

The Company has reported in writing the matters regarding the Acquisition Arrangement to all Directors, and the resolution on the ratification, confirmation, and approval of the transactions contemplated under the Acquisition Arrangement has been passed by the Board.

As Mr. Jen is considered as having a material interest in the connected transaction contemplated under the Acquisition Arrangement, Mr. Jen has abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the other Directors has a material interest in the Acquisition Arrangement and the transactions contemplated thereunder and hence no other Director is required to abstain from voting on the relevant Board resolutions.

The Company has taken into account the incident and has informed all Directors in writing that hereafter, the Company will take remedial measures to prevent the recurrence of similar incidents as well as monitor the ongoing compliance for similar transactions, details of which are set out in section headed "Remedial Measures" below.

REMEDIAL MEASURES

The Company deeply regrets its non-compliance with the relevant connected transaction requirements under Chapter 14A of the Listing Rules and would like to stress that such non-compliance was inadvertent and unintentional. As disclosed in the announcements of the Company dated 4 July 2023 in relation to the Investigation Report and the IC Review Report, the Company has implemented and will take further remedial measures to tighten its internal control procedure with a view to ensuring timely compliance with the Listing Rules and to prevent recurrence of similar incidents. These measures include:

- (i) the corporate governance manual has been established, enhanced and implemented to include adequate guidelines for complying with the Listing Rules and relevant regulatory requirements including but not limited to, identifying, monitoring and disclosure of price-sensitive/ inside information and other material information, notifiable transactions, and other discloseable transactions; guidelines for directors' dealings in Company's securities, etc. and entering into material contracts and other legal commitments;

- (ii) the written policy for management of conflict of interest has been established and implemented to include procedures for annual declaration on conflict of interest by the directors, senior management and key employees, procedures for making declarations by the staff when conflict of interest arises, and follow-up procedures for identified conflict of interest, etc;
- (iii) connected transactions should be discussed and approved by the independent board committee, which consists only of independent non-executive directors who do not have a material interest in the transaction. Opinions from independent financial adviser should be also obtained and considered to ensure the transaction could meet the Company's interest, if and when it is necessary and appropriate. The Company has established and enhanced the corporate governance manual including but not limited to the section regarding connected transaction and will comply with reporting, disclosure and independent shareholders' approval requirements in the Listing Rules;
- (iv) with the assistance of the legal advisers, relevant internal training session will be arranged for all the relevant personnel of the Company to explain the applicability of Chapter 14A of the Listing Rules and potential issues at an early stage to avoid the recurrence of delay in disclosure for future transactions;
- (v) to circulate the relevant internal guidelines, to remind the responsible staff, senior management and Directors and strengthen their understanding to identify the circumstances which are expected to trigger an announcement and other reporting requirements under the Listing Rules; and
- (vi) on an ongoing basis, the Company will work more closely with external advisers, financial and legal, before entering into any potential notifiable or connected transactions. If necessary, the Company could also consult the Stock Exchange on the proper treatment of the proposed transaction.

DEFINITIONS

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

“Acquisition”	acquisition of the Property by the Purchaser under the Acquisition Arrangement
“Acquisition Arrangement”	the arrangement whereby (a) Mr. Jen has agreed to assign and Dalian S&E agreed to accept the assignment of all of Mr. Jen's rights, title and obligations in relation to the Property under a pre-sale contract previously made by Mr. Jen as purchaser and the Developer as vendor in 2018; and (b) the entering into of the Pre-Sale Contract between Dalian S&E as purchaser and the Developer as vendor as a result thereof
“Board”	the board of Directors 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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB40,000,000 for the Acquisition
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Dalian High School”	Dalian Maple Leaf International School* (大連楓葉國際學校), a Sino-foreign joint venture private school established under the laws of the PRC and an entity which the Group controls by way of a series of contractual arrangement and is accounted for an indirect wholly-owned subsidiary of the Company
“Dalian Youwen”, “Dalian S&E” or “Purchaser”	Dalian Youwen Educational Technology Company Limited* (大連優文教育科技有限公司 (former name: Dalian Maple Leaf Science and Education Co., Ltd.* (大連楓葉科教有限公司)), a company incorporated under the laws of the PRC with limited liability and an entity which the Group controls by way of a series of contractual arrangement and is accounted for an indirect wholly-owned subsidiary of the Company
“Developer”	東莞市益田奧城房地產投資有限公司 (Dongguan Yitian Aocheng Real Estate Investments Co., Ltd*), a company incorporated under the laws of the PRC with limited liability
“Director(s)”	the director(s) of the Company
“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
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company
“K-12”	preschool to grade 12 education
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Jen”	Mr. Shu Liang Sherman Jen, executive Director, the chairman of the Board, and a Controlling Shareholder
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-Sale Contract”	the pre-sale contract (商品房買賣合同(預售)) dated 16 November 2021, initialed and entered into between the Developer as vendor and Dalian S&E as purchaser in relation to the Acquisition Arrangement
“Property”	a residential property located at No. 101, located at No. 26 in 2nd Zone of Dynamic Town, No. 1 Longping South Road, Guanjingtuo Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC* (中國東莞市鳳崗鎮官井頭村龍平南路一號大運城邦花園二區26號住宅樓101)
“RMB”	Renminbi, the lawful currency of the PRC
“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
%	per cent.

In this announcement, translation of RMB into HK\$ or vice versa has been calculated by using an exchange rate of RMB1 = HK\$1.0845. Such exchange rate is for illustration purposes only and should not be taken as a representation that 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, 6 July 2023

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; Dr. Kem Hussain as a non-executive director; and Mr. Peter Humphrey Owen, Mr. Alan Shaver, Ms. Wai Fong Wong and Mr. King Pak Lau as independent non-executive directors.

Trading in the shares of the Company (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on the Stock Exchange has been suspended since 9:00 a.m. on 3 May 2022 due to the delay in publication of the unaudited interim results of the Group for the six months ended 28 February 2022 and will remain suspended until the Company fulfils the Resumption Guidance imposed by the Stock Exchange on the Company as described in the announcement of the Company dated 30 May 2022. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

** For identification purposes only*