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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF LUCRUM DEVELOPMENT (SINGAPORE) PTE. LIMITED

THE AGREEMENT

On 23 July 2016, Maple Leaf Asia Pacific, a direct wholly-owned subsidiary of the Company, and Lucrum Fund entered into the Agreement, pursuant to which Maple Leaf Asia Pacific conditionally agreed to purchase, and Lucrum Fund conditionally agreed to sell, the entire issued share capital of Lucrum Development at a maximum cash consideration of S\$68,000,000 (equivalent to approximately HK\$388,280,000.)

It is expected that at Completion, the principal asset of Lucrum Development will be the Property, a school property located at 11 Hillside Drive in Singapore with a site area of 7,568.6 sq.m., which currently comprises some 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, under the Lease Agreement.

The consideration was determined after arm's length negotiations between Lucrum Fund and Maple Leaf Asia Pacific which has made due assessment of the capacity, long lease, location and prospects of the Property, and consideration of benchmark transactions and the yield on the Property. The consideration will be funded by external borrowings from one or more licensed financial institutions and/or internal resources of the Group.

Upon Completion, Lucrum Development will become an indirect wholly-owned subsidiary of the Company, and the financial statements of Lucrum Development will be consolidated into the financial statements of the Group. The Group intends to hold the Property as an investment property during the continuance of the Lease Agreement. Subject to the Property becoming vacant and the necessary licences for the operation of a foreign system school having been obtained from the relevant authorities in Singapore, the Company hopes to open its first bilingual, bi-cultural Maple Leaf school in Singapore on the Property.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Lucrum Fund and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The Board is pleased to announce that on 23 July 2016, Maple Leaf Asia Pacific, a direct wholly-owned subsidiary of the Company, and Lucrum Fund entered into the Agreement, pursuant to which Maple Leaf Asia Pacific conditionally agreed to purchase, and Lucrum Fund conditionally agreed to sell, the Sale Shares at a cash consideration equal to S\$68,000,000 (equivalent to approximately HK\$388,280,000) plus Assets but less Liabilities and Property Tax, which shall in any event not exceed S\$68,000,000 (equivalent to approximately HK\$388,280,000).

The principal terms of the Agreement are set out below:

THE AGREEMENT

Date

23 July 2016

Parties

- (i) Purchaser: Maple Leaf Asia Pacific, a direct wholly-owned subsidiary of the Company
- (ii) Vendor: Lucrum Fund

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Lucrum Fund and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Agreement, Maple Leaf Asia Pacific, a direct wholly-owned subsidiary of the Company, has conditionally agreed to purchase, and Lucrum Fund has conditionally agreed to sell, the Sale Shares, which represent the entire issued share capital of Lucrum Development.

Upon Completion, Lucrum Development will become an indirect wholly-owned subsidiary of the Company, and the financial statements of Lucrum Development will be consolidated into the financial statements of the Group.

Upon Completion, it is expected that the principal asset of Lucrum Development will be the Property.

Lucrum Development is the sole legal and beneficial owner of the Property, which currently comprises some 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, under the Lease Agreement.

Consideration

The aggregate consideration for the Sale Shares (the “**Share Purchase Price**”) is an amount equal to the aggregate of:

- (i) S\$68,000,000 (equivalent to approximately HK\$388,280,000);
- (ii) plus Assets;
- (iii) less Liabilities; and
- (iv) less Property Tax,

which shall in any event not exceed S\$68,000,000 (equivalent to approximately HK\$388,280,000).

Upon execution of the Agreement, Maple Leaf Asia Pacific has delivered to the legal adviser to Lucrum Fund a cash deposit in the amount of S\$1,360,000 (equivalent to approximately HK\$7,765,600) representing 2% of S\$68,000,000 (the “**Deposit**”), which shall be held by the said legal adviser in accordance with the terms of the Agreement. On Completion, the Deposit may be applied towards payment of the Share Purchase Price at the election of Maple Leaf Asia Pacific. The balance of the Share Purchase Price shall be paid by Maple Leaf Asia Pacific to Lucrum Fund on Completion, subject to adjustments to be made based on the actual amounts of the Assets, Liabilities and Property Tax, all to be contained in the Completion Accounts Statement, which shall be prepared by Maple Leaf Asia Pacific and delivered to Lucrum Fund within 20 Business Days following Completion.

If there is any disagreement between the Parties in respect of the Completion Accounts Statement, the matter(s) in dispute shall be determined by independent auditors to be jointly appointed by the Parties, whose determination shall be final and binding on the Parties.

Within 5 Business Days of the Completion Accounts Statement becoming final and binding on the Parties in accordance with the terms of the Agreement, Maple Leaf Asia Pacific shall pay to Lucrum Fund the difference between the final Share Purchase Price and the Share Purchase Price paid on Completion if the former exceeds the latter. Conversely, if the Share Purchase Price paid on Completion exceeds the final Share Purchase Price, Lucrum Fund shall pay the difference to Maple Leaf Asia Pacific.

In the event that Completion does not take place for any reason other than the default of Maple Leaf Asia Pacific, the Deposit shall be returned to Maple Leaf Asia Pacific.

The consideration was determined after arms-length negotiations between Lucrum Fund and Maple Leaf Asia Pacific which has made due assessment of the capacity, long lease, location and prospects of the Property, and consideration of various benchmark transactions and the yield on the Property.

Source of funding

The consideration will be funded by external borrowings from one or more licensed financial institutions and/or internal resources of the Group.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) Maple Leaf Asia Pacific having received confirmation from the relevant Singapore authorities no later than 18 August 2016 that the Property is approved for school use;
- (ii) Lucrum Development having delivered an indemnity to Maple Leaf Asia Pacific to indemnify the latter against all losses, claims, expenses, damages and liabilities which the latter may suffer or incur arising from certain litigation matters, up to a maximum amount of S\$180,000 (equivalent to approximately HK\$1,027,800);
- (iii) Maple Leaf Asia Pacific having obtained an updated report on the structural soundness of the buildings erected on the Land no later than 18 August 2016;
- (iv) there being no encroachments on or by the Property as at the date of Completion;
- (v) Maple Leaf Asia Pacific being reasonably satisfied as to certain due diligence matters on Lucrum Development and the Property no later than 18 August 2016;
- (vi) there being no compulsory acquisition of the whole of or any part of the Property or the whole of or any part of the buildings erected on the Land, and no notice of such intended compulsory acquisition has been given, by any applicable Singapore governmental authority on or prior to the date of the Agreement or on or before the date of Completion;
- (vii) there being no breach by Lucrum Fund of any of the warranties given by Lucrum Fund under the Agreement which has not been remedied in accordance with the terms and conditions of the Agreement on or prior to Completion;
- (viii) the title to the Property being in order and title to the Property being free from all encumbrances except for the existing lease granted under the Lease Agreement;
- (ix) between the date of the Agreement and the date of Completion, none of the following having occurred:
 - a. resolution passed or court order made for the winding up of Lucrum Development or Lucrum Fund;
 - b. the appointment of a liquidator, receiver or judicial manager in respect of Lucrum Development or Lucrum Fund or all or any assets of Lucrum Development or Lucrum Fund;
 - c. the entry by Lucrum Development or Lucrum Fund into any arrangement or composition for the benefit of its creditors;
 - d. Lucrum Development or Lucrum Fund being unable to pay its debts as and when they fall due;

- e. cessation of business by Lucrum Development or Lucrum Fund; or
 - f. any distress, attachment or other legal process levied, enforced or sued out on or against the Property other than as required or contemplated by the Agreement; and
- (x) Maple Leaf Asia Pacific having confirmed no later than 18 August 2016 that it will have appropriate funding to pay the Share Purchase Price on Completion.

If any of the above conditions have not been fulfilled or waived by Maple Leaf Asia Pacific (as the case may be) on or before the date of Completion, Maple Leaf Asia Pacific may terminate the Agreement by notifying Lucrum Fund in writing, or, by mutual agreement with Lucrum Fund, postpone Completion to a later date for the relevant condition(s) precedent to be satisfied.

Completion

The date of Completion is 1 September 2016 or such later date as the Parties to the Agreement may agree in writing from time to time.

At Completion:

- (i) Maple Leaf Asia Pacific shall pay to Lucrum Fund the Share Purchase Price equal to S\$68,000,000 (equivalent to approximately HK\$388,280,000), plus Assets, less Liabilities and Property Tax as estimated by Lucrum Fund, and may elect to apply the Deposit as part payment of such Share Purchase Price; and
- (ii) Lucrum Fund shall transfer the Sale Shares to Maple Leaf Asia Pacific or an entity that controls, is controlled by, or is under common control with Maple Leaf Asia Pacific, where control shall mean direct or indirect ownership of more than 50% of the voting rights.

INFORMATION OF THE TARGET COMPANY

Background information of the target company

Lucrum Development is a company incorporated in Singapore with limited liability on 16 August 2011 with its registered office at 65 Chulia Street #41-02 OCBC Centre Singapore 049513 (registration no. 201119394N). It is principally engaged in real estate activities and its principal asset is the Property. Lucrum Development is wholly-owned by Lucrum Fund as at the date of Agreement.

Information on the Property

As at the date of the Agreement, the principal asset of Lucrum Development is a 103-year leasehold interest in the Property which commenced on 16 November 2012 and will expire on 15 November 2115.

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:	7,568.6 sq.m.
Gross Floor Area:	Approximately 4,343.46 sq.m.
Permitted land use:	Schools Use

The Property comprises (i) the piece of Land being the whole of Lot 99180L of Mukim 22 with a total area of 7,568.6 sq.m. for school use; and (ii) four blocks of school buildings of one to two storeys erected on the Land. The Property currently comprises 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.

As advised by Lucrum Fund, the Property is currently leased to the Tenant, an independent third party K-12 school operator, at a monthly rent of S\$200,000 (equivalent to approximately HK\$1,142,000). Pursuant to the Lease Agreement, the existing lease will expire on 31 October 2017 and is subject to two consecutive options to renew for a further term of three years each, to be exercised by the Tenant in accordance with the terms of the Lease Agreement, each renewal being subject to an increase of up to 10% in the monthly rent.

Financial Information of the Target Company

Set out below are the financial information of Lucrum Development as extracted from the audited financial statements of Lucrum Development for each of the two years ended 31 July 2014 and 31 July 2015:

	For the year ended 31 July 2014		For the year ended 31 July 2015	
	<i>S\$</i>	<i>HK\$</i>	<i>S\$</i>	<i>HK\$</i>
Net profit (loss) before taxation	11,163,478	63,743,459	(1,031,868)	(5,891,966)
Net profit (loss) after taxation	11,163,478	63,743,459	(1,031,873)	(5,891,995)

As at 30 June 2016, the unaudited net assets of Lucrum Development were approximately S\$20,789,167 (equivalent to approximately HK\$118,706,143), and the total assets were S\$74,237,228 (equivalent to approximately HK\$423,894,572), which included the book value of the Property of approximately S\$59,161,823 (equivalent to approximately HK\$337,814,009).

INFORMATION OF THE VENDOR

Lucrum Fund is a company incorporated in the Cayman Islands with limited liability on 26 July 2011 with its registered office at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal activity is that of investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in the operation of international schools for K-12 education in the PRC. One of its long-term strategies is to expand its bilingual and bi-cultural school network outside of the PRC and it has been actively exploring opportunities in this respect.

Upon Completion and during the continuance of the Lease Agreement, the Group intends to hold the Property as an investment property. 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 Company hopes to open its first bilingual, bi-cultural Maple Leaf school in Singapore on the Property.

The Acquisition is beneficial to the Group because this provides a rare opportunity for the Group to expand into Singapore and further expand its school network outside the PRC. Singapore has a large expatriate population and a strong reputation for high quality education.

The Property is located centrally in Singapore, and is close to local transport and amenities. It is approximately 1 kilometer away from Kovan MRT station and approximately 1.3 kilometers away from Serangoon MRT station. It is 450 meters from Serangoon Stadium and Serangoon Swimming Complex, and close to the NEX shopping mall. Centrally-located premises for K-12 schools are relatively rare in Singapore. Educational land acquired through the Request-For-Interest process led by the Economic Development Board of Singapore (a process by which international schools bid for sites with long-term leases) is usually subject to a 30-year lease, whilst the Property has approximately 99 years remaining on its lease.

In view of the above, the Directors consider that the terms of the Agreement are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Acquisition”	the acquisition by Maple Leaf Asia Pacific of the Sale Shares of Lucrum Development
“Agreement”	the sale and purchase agreement dated 23 July 2016 and entered into between Maple Leaf Asia Pacific and Lucrum Fund in relation to the Acquisition

“Assets”	the aggregate amount of the cash and cash equivalents, prepayments, loan receivables and accrued interest income of Lucrum Development as at the date of Completion
“Board”	the board of Directors of the Company
“Business Days”	a day (other than a Saturday, Sunday or any gazetted public holiday in Singapore) on which commercial banks are open for business in the Cayman Islands and Singapore
“Cash”	the consolidated amount of the cash on hand and cash-in-transit, cash at banks and cash equivalents of Lucrum Development as of the date of Completion
“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 Acquisition in accordance with the terms and conditions of the Agreement
“Completion Accounts Statement”	a statement showing the actual amounts of the Assets, the Liabilities and the Property Tax as at the close of business on the date of Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“Lease Agreement”	the lease agreement dated 1 October 2014 entered into between Lucrum Development and the Tenant in respect of the Property, as supplemented by the Addendum to Lease Agreement dated 1 October 2014

“Liabilities”	the aggregate amount of the obligations, including accrued interest, if any, of Lucrum Development as of the Completion Date, relating to trade liabilities, the security deposit paid by the Tenant, accrued expenses and liability for goods and services tax of Lucrum Development
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Lucrum Development”	Lucrum Development (Singapore) Pte. Limited, a company incorporated under the laws of Singapore with limited liability and a wholly-owned subsidiary of Lucrum Fund
“Lucrum Fund”	Lucrum (Singapore) Real Estate Income Fund, a company incorporated under the laws of the Cayman Islands with limited liability
“Maple Leaf Asia Pacific”	Maple Leaf Education Asia Pacific Limited, a company incorporated under the laws of Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Parties”	Lucrum Fund and Maple Leaf Asia Pacific and their respective successors and permitted assignees
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan area
“Property”	the Land, together with four blocks of school buildings of one to two storeys erected on the Land
“Property Tax”	the amount of property tax payable in respect of the Property for the period up to and including the date of Completion
“S\$”	Singapore dollar, the lawful currency of Singapore
“Sale Shares”	100,000 shares of S\$1 each in Lucrum Development, representing the entire issued share capital of Lucrum Development
“Share(s)”	the ordinary share(s) in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Hillside World Academy Pte. Limited, a company incorporated under the laws of Singapore with limited liability

“sq.m.” square metres

% per cent.

In this announcement, amounts in S\$ are translated into HK\$ on the basis of S\$1 = HK\$5.71. The conversion rate is for illustration purposes only and should not be taken as a representation that S\$ 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 Co-Chief Executive Officer

Hong Kong, 25 July 2016

As at the date of this announcement, the Board comprises Mr. Shu Liang Sherman Jen, Mr. Zhenwan Liu, 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. Chak Kei Jack Wong and Mr. Lap Tat Arthur Wong as independent non-executive Directors.

* *For identification purposes only*