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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2021; AND RESUMPTION OF TRADING**

The board (the “**Board**”) of directors (the “**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 August 2021.

#### **KEY FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 August</b>		<b>Percentage Change</b>
	<b>2021</b>	<b>2020</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
<b>Continuing operations</b>			
Revenue	<b>941,015</b>	385,882	<b>+143.9%</b>
Gross Profit	<b>415,750</b>	157,477	<b>+164.0%</b>
(Loss) profit for the year	<b>(671,919)</b>	43,425	<b>-1,647.3%</b>
<b>Continuing and discontinued operations</b>			
Revenue ( <i>Note 1</i> )	<b>2,151,149</b>	1,528,608	<b>+40.7%</b>
Adjusted Net Profit ( <i>Note 2</i> )	<b>609,968</b>	537,262	<b>+13.5%</b>

*Notes:*

1. The revenue from continuing and discontinued operations for the years ended 31 August 2021 and 31 August 2020 are calculated as revenue for the year presented in the consolidated financial statements, plus the revenue from the operations of private schools that provide compulsory education consisting of six years of primary school education and three years of middle school education to PRC residents and not-for-profit schools that provide preschool education in the People's Republic of China ("**PRC**" or "**China**") ("**Affected Schools**"). The financial results of the Affected Schools have been classified as discontinued operations upon deconsolidation on 31 August 2021 and the prior year comparative results have been restated throughout the consolidated financial statements (please refer to Note 8 to the consolidated financial statements, Discontinued Operations).
2. The Adjusted Net Profit for the year ended 31 August 2021 is calculated as loss for the year from continuing operations, taking into account the profit from the Affected Schools which have been classified as discontinued operations, and excluding the impact from (i) amortisation of other intangible assets and depreciation of properties arising from acquisition; (ii) change in fair value of the Convertible Bonds (as defined below); (iii) share-based payments; (iv) change in fair value of contingent consideration; (v) dividend income from held for trading investments; and (vi) one-off impairment loss recognised in respect of property, plant and equipment, goodwill, right-of-use assets and other intangible assets. The financial results of the Affected Schools have been classified as discontinued operations upon deconsolidation on 31 August 2021 and the Adjusted Net Profit for the year ended 31 August 2020 has been restated. Please see the table headed "Calculation of the Adjusted Net Profit" below for further details.

### **Non-IFRS measures**

To supplement the Group's consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (the "**IFRS**"), the Company also uses Adjusted Net Profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of the Group's operating performance. The Company believes that these measures provide useful information to the shareholders of the Company (the "**Shareholders**") and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Group's management.

However, the use of these non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

### Calculation of the Adjusted Net Profit

	Year ended 31 August	
	2021 (RMB'000)	2020 (RMB'000) (Restated)
(Loss) profit for the year from continuing operations	<b>(671,919)</b>	43,425
Add: Profit from discontinued operations	<b>453,837</b>	465,654
Amortisation of other intangible assets and depreciation of properties arising from acquisition (including discontinued operations)	<b>80,519</b>	12,517
Change in fair value of the Convertible Bonds	<b>(52,737)</b>	–
Share-based payments (including discontinued operations)	<b>8,570</b>	16,177
Change in fair value of contingent consideration	<b>(1,420)</b>	–
Dividend income from held for trading investments	<b>(541)</b>	(511)
One-off impairment loss recognised in respect of		
– property, plant and equipment	<b>545,230</b>	–
– goodwill	<b>199,215</b>	–
– right-of-use assets	<b>46,798</b>	–
– other intangible assets	<b>2,416</b>	–
<b>Adjusted Net Profit for the year</b>	<b>609,968</b>	537,262

## Financial Results of the Group by Continuing Operations and Discontinued Operations

	For the year ended 31 August 2021		
	Continuing Operations <i>RMB'000</i>	Discontinued Operations <i>RMB'000</i>	Combined Total <i>RMB'000</i>
<b>Revenue</b>	<b>941,015</b>	<b>1,210,134</b>	<b>2,151,149</b>
Cost of revenue	(525,265)	(618,820)	(1,144,085)
Gross profit	415,750	591,314	1,007,064
Investment and other income	76,010	9,093	85,103
Other gains and losses	(736,628)	(478)	(737,106)
Impairment losses under expected credit loss model, net of reversal	1,765	–	1,765
Marketing expenses	(15,716)	(22,473)	(38,189)
Administrative expenses	(250,725)	(115,350)	(366,075)
Finance costs	(116,271)	(5,258)	(121,529)
<b>(Loss) profit before tax</b>	<b>(625,815)</b>	<b>456,848</b>	<b>(168,967)</b>
Taxation	(46,104)	(3,011)	(49,115)
<b>(Loss) profit for the year (before one-off losses upon deconsolidation of the Affected Schools)</b>	<b>(671,919)</b>	<b>453,837</b>	<b>(218,082)</b>
One-off losses upon deconsolidation of the Affected Schools	–	(2,905,548)	(2,905,548)
<b>(Loss) for the year</b>	<b>(671,919)</b>	<b>(2,451,711)</b>	<b>(3,123,630)</b>
	For the year ended 31 August 2020		
	Continuing Operations <i>RMB'000</i>	Discontinued Operations <i>RMB'000</i>	Combined Total <i>RMB'000</i>
<b>Revenue</b>	385,882	1,142,726	1,528,608
Cost of revenue	(228,405)	(586,978)	(815,383)
Gross profit	157,477	555,748	713,225
Investment and other income	47,950	11,824	59,774
Other gains and losses	7,243	18,271	25,514
Marketing expenses	(10,436)	(21,717)	(32,153)
Administrative expenses	(132,724)	(92,469)	(225,193)
Finance costs	(12,513)	(5,797)	(18,310)
<b>Profit before tax</b>	<b>56,997</b>	<b>465,860</b>	<b>522,857</b>
Taxation	(13,572)	(206)	(13,778)
<b>Profit for the year</b>	<b>43,425</b>	<b>465,654</b>	<b>509,079</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Group's Market Position

With over 26 years of experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering high quality and bilingual education, combining the merits of both Western and Eastern educational philosophies.

Maple Leaf World School Program (“**World School Program**”) is the first international program with oriental cultural characteristics in the world. It cooperates with two of the world's largest educational institutions, benchmarking by UK ENIC (formerly known as UK NARIC), and accreditation of Cognia (formerly known as AdvancED). As of 31 August 2021, we have received official support letters from 113 universities in 12 countries and have successfully promoted World School Program in domestic universities in China. We are confident that World School Program will become a top international education program equivalent to the A-Level and International Baccalaureate (the “**IB**”) programs in the future.

Our high schools provide World School Program at the commencement of the 2020/2021 school year. Our unique programs and systems are designed to cultivate elite talents with a global perspective and proficiency in Chinese culture and wisdom. The Group targets mainly Chinese students from increasingly affluent middle-income families in China who aim to pursue higher education abroad and for whom our tuition fees are affordable and competitive.

China Maple Leaf Educational Systems Limited (“**Maple Leaf**”) has relocated its headquarters to Shenzhen in March 2021. Shenzhen headquarters will be officially launched at the commencement of 2022/2023 school year. The relocation of the Group's headquarters to Shenzhen is a strategic move to ensure the success of the Group's sixth five-year plan (from 2020/2021 to 2024/2025 school years) (the “**Sixth Five-Year Plan**”) and will help the Group to recruit and retain talents for its expansions in China and overseas. Moreover, the new headquarters will increase the brand awareness of the “Maple Leaf” brand and accelerate our business development in first-tier cities in China, especially in the Greater Bay Area.

Our overseas school, Kingsley International School (“**KIS**”) offers A-Level program from preschool to Year 12 students in Malaysia. KIS targets at mainly local students and also international students primarily from Asian countries. Canadian International School (“**CIS**”) offers the IB curriculum from preschool to Year 12 students across two campuses, the Tanjong Katong campus and the Lakeside campus, in Singapore. CIS is one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment, and targets expatriate families employed in Singapore, especially those from the United States, India and other Asian countries. CIS is well known for its highly acclaimed bilingual English/Chinese program where students are fully immersed culturally and taught by qualified native English speakers who are also IB certified.

## University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. Despite the impacts of the pandemic globally, at the end of 2020/2021 school year, 1,778 Maple Leaf high school students of the class of 2021 (“**Class 2021 Students**”) received over 7,485 offer letters from universities in 17 countries. Moreover, 139 of our Class 2021 Students received offer letters from QS Top 10 universities including prestigious University College London and Imperial College London in the United Kingdom. In addition, 1,514 students, approximately 85.2% of our Class 2021 Students, received at least one offer letter from the Maple Leaf Educational Systems Global Top 100 universities.

In order to provide Maple Leaf graduates with a wider range of further education opportunities, the Group has entered into cooperation agreements with more than 20 well-known domestic universities, such as the Beijing Foreign Studies University, Beijing Institute of Technology, etc. These universities offer programs in various disciplines in cooperation with overseas universities. We will continue to increase cooperation with Chinese domestic universities, and offer a variety of options to our high school graduates.

Maple Leaf maintains long-term relationships with a significant number of universities and colleges around the world. Various universities and colleges have memoranda of understanding with us to facilitate the admission process for our high school graduates. Our Group provides consulting services to assist our students in making informed decisions about the universities and colleges they choose to attend, and has held annual university and college recruitment fairs on our campuses since November 2005. In addition, we assist our students with respect to admissions, visas and scholarships, preparing them to study abroad. We believe that our services ensure a smooth transition for our students from our high schools to higher education.

## Update on the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China

On 14 May 2021, the PRC State Council announced 《中華人民共和國民辦教育促進法實施條例》 (the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China) (the “**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations lay down a concrete measure to implement the top-level design of the classification management system of the superior law – Private Education Promotion Law of the People’s Republic of China – and help regulate and promote the policies of “classification management”, “classification support” and “classification development” of private education in China. It will help realise the development of private education with distinctive characteristics and high quality, and meet the diversified and selective needs of different families for education in the new era.

The restrictions in the Implementation Regulations on the prohibition of foreign participation in private schools that provide compulsory education and not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related party transactions. The restrictions are intended to ensure the legitimate rights and interests of not-for-profit schools, especially to protect the property rights and interests of not-for-profit schools and to avoid the improper transfer of proceeds from the operation of not-for-profit schools.

The Implementation Regulations strengthen the supervision of compulsory education schools, and at the same time, specify that private education enjoys preferential taxation policies stipulated by the Chinese government. The Implementation Regulations grant for-profit schools the autonomy to charge fees, and encourage and support private schools to use internet technology to implement online education, grant private schools, which carry out higher education and secondary vocational and technical education, the autonomy to self-establish majors, designing courses and other greater autonomy, enriching the operation of and expanding student sources of private schools and facilitating the development of private schools.

The Implementation Regulations impose significant uncertainties and restrictions on the Group's control over the affiliated entities operating private schools offering compulsory education and not-for-profit preschools. As a result, the contractual arrangements with the Affected Schools are considered not enforceable upon the Implementation Regulations becoming effective on 1 September 2021. Based on the reassessment of the contractual arrangements and the implications of the Implementation Regulations, the Company considered that the Group's ability to use its power from the contractual arrangements to direct the relevant activities of and its ability to affect its variable returns from the Affected Schools had ceased by 31 August 2021 immediately before the Implementation Regulations becoming effective. Consequently, the Group lost control over the Affected Schools on 31 August 2021 and the Affected Schools were deconsolidated from the consolidated financial statements of the Company for the year ended 31 August 2021 and the operations of the Affected Schools were classified as discontinued operations as of 31 August 2021.

In view of the impact of the Implementation Regulations, the Group has determined to take measures to optimise its operating structure to mitigate the impact of the Implementation Regulations. Such measures include, among others, transferring current students from high schools which are under the same operating licences with private schools providing compulsory education and/or not-for-profit preschools in the PRC (the "**Mixed High Schools**") to high schools that have their own operating licences in the PRC.

The Group has adjusted its enrolment strategy from the pyramid structure to inverted pyramid structure in the Sixth Five-Year Plan, which focuses on its development of high schools providing World School Program. We will expand online education offering World School Program, English as a second language ("**ESL**") curriculum and Chinese as a second language ("**CSL**") curriculum as well as certificate examination training or other new educational products to domestic and overseas learners.

Up to the date of this announcement, the Implementation Regulations have been in effect for a relatively short period of time, and local governments have not yet issued corresponding classification management regulations and rules for the Implementation Regulations, and as there are different policies and requirements for the implementation of the Implementation Regulations in various regions, it will be implemented when local governments issue relevant documents based on the actual situation.



## The Impact of Covid-19

Despite the global pandemic of Covid-19, our schools in China resumed face-to-face teaching since the commencement of the 2020/2021 school year. Before the opening of schools, Maple Leaf has thoroughly cleaned and disinfected all campuses and ensured that various pandemic prevention supplies are sufficient to improve campus safety and safeguard the health and safety of all students and employees. The impact of Covid-19 on our schools in China has been further relieved.

Our overseas school, KIS targets at both local students and international students. CIS targets at expatriate families employed in Singapore and also international students. For the year ended 31 August 2021, CIS mainly delivered face-to-face teaching, while KIS conducted hybrid teaching by both face-to-face and online teaching due to the continuous lockdowns regulated by the Malaysian government in order to curb the Covid-19 pandemic. With the widespread vaccination and the stabilisation of the pandemic, we expect overseas countries will gradually lift travel restrictions and relax visa conditions, which will increase the student enrolment in our overseas schools, and benefit both domestic and overseas Maple Leaf schools.

## BUSINESS REVIEW

*The information contained in this section of Business Review contains information relating to both the continuing operations of the Group and the operations of private schools that provide compulsory education consisting of six years of primary school education and three years of middle school education to PRC residents and not-for-profit schools that provide preschool education in the PRC (i.e. the Affected Schools) which were deconsolidated from the consolidated financial statements of the Company since 31 August 2021. As a result of the deconsolidation of the Affected Schools on 31 August 2021, the operations of the Affected Schools have been classified as discontinued operations in the consolidated financial statements of the Company for the year ended 31 August 2021 under the International Financial Reporting Standards. Shareholders of the Company and potential investors should exercise caution when evaluating the business review of the Group for the year ended 31 August 2021.*

### Student Enrolment

	At the end of school year			
	2020/2021	% of Total	2019/2020	% of Total
High schools*	7,596	16.6	8,280	18.2
Middle schools*	10,039	21.9	10,121	22.2
Elementary schools*	22,333	48.7	22,074	48.4
Preschools*	5,591	12.2	4,854	10.6
Foreign national schools	270	0.6	275	0.6
Total number of students enrolled	<u>45,829</u>	<u>100</u>	<u>45,604</u>	<u>100</u>

\* The Affected Schools include the Mixed High Schools, middle schools, elementary schools and not-for-profit preschools in the PRC.



The total number of students enrolled increased by 225 or 0.5% from 45,604 at the end of the 2019/2020 school year to 45,829 at the end of the 2020/2021 school year, which was primarily due to the improvement of school utilisation rate in Ji’nan, Yancheng and Xiangyang, China.

The Group has adjusted its enrolment strategy from the pyramid structure to inverted pyramid structure in the Sixth Five-Year Plan. Maple Leaf will focus on its development of high schools providing World School Program, with moderate development of regular high schools whereby students are sitting for the National College Entrance Examination (“**Gaokao**”).

### **The Group’s Schools**

The following table shows a summary of the Group’s schools by category as at the end of the two financial years:

	<b>As at 31 August</b>	
	<b>2021</b>	2020
High schools*	<b>18</b>	18
Middle schools*	<b>29</b>	28
Elementary schools*	<b>33</b>	30
Preschools*	<b>34</b>	30
Foreign national schools	<b>3</b>	3
	<hr/>	<hr/>
Total	<b>117</b>	<b>109</b>
	<hr/>	<hr/>

\* The Affected Schools include the Mixed High Schools, middle schools, elementary schools and not-for-profit preschools in the PRC.

### **The Group’s Teachers**

Teachers are the key to maintaining high-quality educational programs and services as well as maintaining our brand and reputation. Our certified teachers form a core group within our teaching staff, allowing us to maintain the quality of our educational services while undergoing expansion. Our Group has established a global recruitment office (the “**Global Recruitment Office**”) to recruit high school foreign teachers and ESL foreign teachers worldwide. The establishment of the Global Recruitment Office ensures both the quality and quantity of Maple Leaf foreign teachers and satisfies the development needs of the Group’s Sixth Five-Year Plan.

## **FUTURE DEVELOPMENT**

Following the promulgation of the Implementation Regulations, Maple Leaf has adjusted its development strategy from the pyramid structure to inverted pyramid structure and our high schools carry on a dual development scheme. We will focus on the development of high schools providing World School Program, with moderate development of regular high schools whereby students are sitting for Gaokao.

We will expand online education offering the World School Program, ESL curriculum and CSL curriculum as well as certificate examination training or other new educational products to domestic and overseas learners.

In addition to providing the academic education services, the Group also plans to further develop education industry chain business which previously provided services only to Maple Leaf students internally. We plan to offer professional catering services for universities, boarding schools, institutions, and corporate canteens; and provide services of supplies of school uniforms and professional uniforms for various schools, institutions and corporate customers. We strive to forge Maple Leaf brand to a professional catering and professional uniforms brand and contribute additional income for the Group.

### **Standard Implementation Strategy**

Under the Standard Implementation Strategy, the Group launched the World School Program, China's first internationally accredited curriculum with self-developed intellectual property, at the commencement of 2020/2021 school year. The Group's first batch of graduates from the World School Program will receive Maple Leaf High School Graduation Diplomas in June 2023, endorsed by Cognia (formerly known as AdvancED). The World School Program was developed by Maple Leaf curriculum experts and meets high academic and curriculum standard, which will get students well equipped for entering into the world's top ranked universities. The World School Program is working with UK ENIC (formerly known as UK NARIC) on a benchmarking agreement and has acquired accreditation from Cognia (formerly known as AdvancED) – two of the world's most recognised certification institutions – providing further assurance that Maple Leaf graduates will be able to transit to universities across the globe seamlessly.

### **Overseas Expansion**

Overseas expansion is an important part of the Group's long-term growth strategy. The Group believes that a global presence of Maple Leaf branded schools will help the Group's student recruitment in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also along the Belt and Road countries, such as Southeast Asia, and around the world, such as the North America. Accordingly, the Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL curricula, it is precisely positioned to meet the demand for quality international preschool to grade 12 (“K-12”) education along the Belt and Road countries, where there is a demand for blending the best of Western and Eastern cultures. The Group will further expand its school network under the brand of CIS and KIS in the Southeast Asian countries.

## Conclusion

Pursuant to the Sixth Five-Year Plan, the Group will continue to adopt multiple expansion strategies including, but not limited to, increasing our enrolment, increasing tuition fee rate, building more asset-light schools, acquiring schools with synergy to the Group, and expanding our established schools to achieve the growth targets in both China and overseas, and strive to become one of the largest international school operators in the world.

## OTHER INFORMATION

### Issuance of US\$125.0 million 2.25% Convertible Bonds due 2026

On 12 January 2021, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with UBS AG Hong Kong Branch (the “**Manager**”), under which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds (the “**Convertible Bonds**”) due 2026 in an aggregate principal amount of US\$125.0 million. The Manager informed the Company that it intended to offer and sell the Convertible Bonds to no less than six independent places (who would be independent individual, corporate and/or institutional investors). The closing price of the ordinary shares of par value US\$0.0005 each in the share capital of the Company (the “**Shares**”) quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on the date of the Subscription Agreement, i.e. 12 January 2021, was HK\$2.020 per Share. The net proceeds from the subscription of the Convertible Bonds, after deduction of underwriting commission and expenses, amounted to approximately US\$123.1 million. The issue of the Convertible Bonds can provide the Company with additional funds at lower funding cost. The Company intended to use the net proceeds from the issuance of the Convertible Bonds for the repayment of existing borrowings, acquisitions and general corporate purposes.

Based on the initial conversion price (subject to adjustments) of HK\$2.525 per Share and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into approximately 383,881,188 new Shares (subject to adjustments) which will have an aggregate nominal value of approximately US\$191,940.59. The net price of each new Share, based on the net proceeds of US\$123.1 million and assuming the full conversion of the Convertible Bonds at the initial conversion price, is approximately HK\$2.487.

The new Shares (if any) are to be issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the shareholders of the Company passed on 22 January 2020 to allot, issue and deal with, among other securities, up to 599,064,184 Shares. The issue of the Convertible Bonds is not subject to the specific approval of the shareholders of the Company.

The Convertible Bonds bear interest on their outstanding principal amount from and including 27 January 2021 at the rate of 2.25% per annum, payable semi-annually in arrears on 27 January and 27 July in each year until 27 January 2026, being the maturity date. Subject to the conditions as stipulated in the Subscription Agreement, each Convertible Bond shall entitle the bondholder to convert such Convertible Bond into new Shares credited as fully paid at any time on or after 9 March 2021 up to the close of business on the seventh day prior to the maturity date (i.e. 27 January 2026) (both days inclusive) (unless previously redeemed, converted or purchased or cancelled). On 27 January 2021, with the fulfilment of all conditions required for the Convertible Bonds under the Subscription Agreement, the Company issued the Convertible Bonds with an aggregate principal amount of US\$125.0 million for the repayment of existing borrowings, acquisitions and general corporate purposes. Permission for the listing of, and dealing in, the Convertible Bonds and the new Shares upon conversion of the Convertible Bonds on the Stock Exchange became effective on 28 January 2021.

As at 31 August 2021, all the proceeds had been applied for the repayment of the existing borrowings, acquisitions and general corporate purposes. For the year ended 31 August 2021, no conversion right attached to the Convertible Bonds was exercised by the bondholders and no Convertible Bonds were redeemed, purchased or cancelled by the Company. As at 31 August 2021, the Convertible Bonds issued by the Company in an aggregate principal amount of US\$125.0 million remained outstanding.

Assuming there is full conversion of the Convertible Bonds at the initial conversion price of HK\$2.525 per Share, the Convertible Bonds will be convertible into approximately 383,881,188 new Shares (subject to adjustment), representing approximately 12.82% of the total number of Shares in issue as at 31 August 2021 and approximately 11.36% of the total number of Shares in issue as enlarged by the allotment and issue of the new Shares (assuming no other change in the issued share capital of the Company). Such allotment and issue of the new Shares will result in the respective shareholdings of the shareholders of the Company being diluted by approximately 11.36%.

Please refer to the announcements of the Company dated 13 January 2021, 27 January 2021 and 28 January 2021 and the offering circular of the Company dated 22 January 2021 for further details.

## **FINANCIAL REVIEW**

### **Overview**

Following the promulgation of the Implementation Regulations, the Group's management assessed the impact and concluded that (i) the assets and liabilities related to the Affected Schools comprising the not-for-profit preschools, private schools that provide compulsory education and the Mixed High Schools in the PRC were deconsolidated from the consolidated financial statements of the Group since 31 August 2021; and (ii) the financial results of the Affected Schools were classified as discontinued operations for the year ended 31 August 2021 and the prior year's comparative results have been restated throughout the consolidated financial statements. For further details, please refer to Note 8 to the consolidated financial statements: Discontinued Operations.

The revenue of the Group from continuing operations was RMB941.0 million and RMB385.9 million for the year ended 31 August 2021 and 31 August 2020 respectively. The loss for the year ended 31 August 2021 was RMB671.9 million and the profit for the year ended 31 August 2020 was RMB43.4 million.

The total revenue from both the continuing and discontinued operations was RMB2,151.1 million and RMB1,528.6 million for the year ended 31 August 2021 and 31 August 2020 respectively. The Adjusted Net Profit for the year ended 31 August 2021 was RMB610.0 million, representing an increase of RMB72.7 million or 13.5% as compared to the year ended 31 August 2020. The Adjusted Net Profit Margin as calculated based on the Adjusted Net Profit was 28.4% and 35.1% for the year ended 31 August 2021 and 31 August 2020 respectively.

### **Revenue**

The revenue of the Group increased by RMB555.1 million, or 143.9%, from RMB385.9 million for the financial year ended 31 August 2020 to RMB941.0 million for the financial year ended 31 August 2021. Amongst the revenue of the Group for the year ended 31 August 2021, RMB369.5 million (approximately 39.3%) was contributed by the operations in the PRC, and RMB571.5 million (approximately 60.7%) was contributed by the operations overseas.

The total revenue from both the continuing and discontinued operations increased by RMB622.5 million, or 40.7%, from RMB1,528.6 million for the year ended 31 August 2020 to RMB2,151.1 million for the year ended 31 August 2021. The increase was primarily due to (i) the addition of revenue generated from the newly acquired overseas schools, CIS and KIS; and (ii) an increase in tuition fee rate.

### **Cost of Revenue**

Cost of revenue increased by RMB296.9 million, or 130.0%, from RMB228.4 million for the financial year ended 31 August 2020 to RMB525.3 million for the financial year ended 31 August 2021. The increase was largely due to the increase in teaching staff costs, depreciation and amortisation, and other costs.

## **Gross Profit and Gross Profit Margin**

Gross profit increased by 164.0% from RMB157.5 million for the financial year ended 31 August 2020 to RMB415.8 million for the financial year ended 31 August 2021. Our gross profit margin increased from 40.8% for the financial year ended 31 August 2020 to 44.2% for the financial year ended 31 August 2021, primarily due to (i) the addition of gross profit from newly acquired overseas school, CIS, and (ii) increase in the profit from certain schools due to the relief of the impact of Covid-19 pandemic in China.

## **Investment and Other Income**

Investment and other income consist mainly of (i) interest income from our bank deposits, (ii) rental income from investment properties, and (iii) government grants. Investment and other income increased by 58.3% from RMB48.0 million for the financial year ended 31 August 2020 to RMB76.0 million for the financial year ended 31 August 2021. Bank interest income increased by 101.0% from RMB20.1 million for the financial year ended 31 August 2020 to RMB40.4 million for the financial year ended 31 August 2021.

For the financial year ended 31 August 2021, government grants increased by RMB10.5 million primarily due to more Covid-19 related subsidies received from government during this year.

## **Other Gains and Losses**

Other gains and losses consist primarily of (i) changes in fair value of the Convertible Bonds, and (ii) impairment loss, net of reversal of property, plant and equipment. Other gains and losses changed from a gain of RMB7.2 million for the financial year ended 31 August 2020 to a loss of RMB736.6 million for the financial year ended 31 August 2021. The change from a gain to a loss was mainly attributable to the combined effects of (i) gain arising from change in fair value of the Convertible Bonds of RMB52.7 million, and (ii) an increase in one-off impairment loss on property, plant and equipment, goodwill, right-of-use assets and other intangible assets by RMB793.6 million.

## **Marketing Expenses**

Marketing expenses increased by 51.0% from RMB10.4 million for the financial year ended 31 August 2020 to RMB15.7 million for the financial year ended 31 August 2021. Marketing expenses as a percentage of revenue decreased from 2.7% for the financial year ended 31 August 2020 to 1.7% for the financial year ended 31 August 2021, primarily due to CIS incurring less marketing expenses for the year ended 31 August 2021.

## **Administrative Expenses**

Administrative expenses increased by 88.9% from RMB132.7 million for the financial year ended 31 August 2020 to RMB250.7 million for the financial year ended 31 August 2021, mainly attributed from the addition of administrative expenses by newly acquired schools, KIS and CIS.



## **Finance Costs**

For the financial year ended 31 August 2021, finance costs mainly represented (i) interest expenses and related bank arrangement fees for secured bank borrowings, and (ii) interest expenses and issuance costs of the Convertible Bonds. Finance costs increased from RMB12.5 million for the financial year ended 31 August 2020 to RMB116.3 million for the financial year ended 31 August 2021 primarily due to the utilisations of bank borrowings to finance the KIS and CIS acquisition.

## **Loss/profit before Taxation**

The Group recorded a loss before taxation of RMB625.8 million for the financial year ended 31 August 2021, compared to a profit before taxation of RMB57.0 million for the financial year ended 31 August 2020. Loss before taxation as a percentage of revenue of the Group was 66.5% for the financial year ended 31 August 2021 and profit before taxation as a percentage of revenue of the Group was 14.8% for the financial year ended 31 August 2020.

## **Taxation**

Income tax expense of the Group increased from RMB13.6 million for the financial year ended 31 August 2020 to RMB46.1 million for the financial year ended 31 August 2021, mainly due to the addition of enterprise income tax (the “EIT”) expenses incurred by CIS.

## **Impairment loss on property, plant and equipment, right-of-use and goodwill**

The Group has deconsolidated the Affected Schools on 31 August 2021. There are certain property and equipment and right-of-use assets held by the consolidated affiliated entities of the Group (other than the Affected Schools) were occupied by the Affected Schools before the deconsolidation and subsequent to the deconsolidation. The Group concluded that impairment indicators existed in relation to such assets and performed an impairment assessment on such assets with carrying amounts (before impairment) of RMB545.2 million and RMB46.8 million, for property and equipment and right-of-use assets, respectively.

When determining the fair value less cost of disposal or value-in-use of such assets, the Directors have taken into consideration of the facts: (1) these assets were currently occupied by the Affected Schools and these Affected Schools were not controlled by the Group as of 31 August 2021; and (2) the Implementation Regulations prohibit the Affected Schools to conduct transactions with its related parties, such as paying rent to the Group for the occupation of these assets. Consequently, the Directors concluded that such assets cannot generate cash flow attributable to the Group and such assets do not have a market at its current condition (as being occupied), therefore, both the value-in-use and the fair value less costs of disposal were nil. Consequently, such assets were fully impaired on 31 August 2021.

Based on the result of the assessment, impairment losses of RMB545.2 million and RMB46.8 million (2020: RMB7.3 million and nil) have been recognised against the carrying amount of property and equipment and right-of-use assets, respectively.



Goodwill and trademarks with indefinite useful lives have been allocated to the cash generating units (“CGUs”) that are expected to benefit from the business combination. The recoverable amount of each CGU has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period and discount rate. Extrapolated growth rate used in cash flow projections is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue, such estimation is based on each CGU’s past performance and the management’s expectations for future market development. The cash flows projections, growth rates and discount rate have been reassessed as at 31 August 2021 taking into consideration higher degree of estimation uncertainties in the current year due to how the Covid-19 pandemic may progress and evolve and volatility in financial markets. The amount of impairment loss on goodwill was RMB199.2 million for the year ended 31 August 2021.

### **Loss/profit for the Year**

As a result of the above factors, in respect of its continuing operations, the Group recorded a change from a net profit of RMB43.4 million for the financial year ended 31 August 2020 to a net loss of RMB671.9 million for the financial year ended 31 August 2021. The change to a loss making position for the year ended 31 August 2021 is mainly due to the one-off impairment loss on property and equipment, goodwill, right-of-use assets and other intangible assets.

The Adjusted Net Profit for the year ended 31 August 2021 was RMB610.0 million, representing an increase of RMB72.7 million or 13.5% as compared to the year ended 31 August 2020. The Adjusted Net Profit Margin as calculated based on the Adjusted Net Profit was 28.4% and 35.1% for the year ended 31 August 2021 and 31 August 2020 respectively.

### **Capital Expenditures**

For the year ended 31 August 2021, the Group paid RMB122.3 million for property and equipment primarily related to the buildings for certain schools in Shenzhen, Wuhan, and CIS. For the year ended 31 August 2020, the Group paid RMB179.7 million for property and equipment primarily related to the buildings of schools in Wuhan and Tian Eco-city.

### **Liquidity, Financial Resources and Capital Structure**

As at 31 August 2021, the Group’s bank balances and cash amounted to RMB739.5 million, which were mainly denominated in USD and SGD. Bank balances and cash decreased mainly due to the deconsolidation of the Affected Schools.

As at 31 August 2021, the Group’s bank borrowings were RMB2,628.6 million which were mainly denominated in SGD and MYR, with variable interest rates with reference to Singapore Interbank Offered Rate and with variable profit rate with reference to Malaysian bank's cost of fund. Of the Group’s bank borrowings as at 31 August 2021, 96.9% will mature within one year and the remaining 3.1% will mature after one year. These bank borrowings were secured by the Group’s bank deposits and investment properties.

As at 31 August 2021, the Convertible Bonds issued by the Company in an aggregate principal amount of US\$125.0 million due in 2026 remained outstanding. The Convertible Bonds bear interest on their outstanding principal amount from and including 27 January 2021 at the rate of 2.25% per annum, payable semi-annually in arrears on 27 January and 27 July in each year until 27 January 2026.

The Group expects that its future capital expenditures will primarily be financed by bank borrowings and its internal resources. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### **Gearing Ratio**

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial year. Gearing ratio increased from 78.5% for the year ended 31 August 2020 to 243.5% for the year ended 31 August 2021 primarily due to the decrease in the total equity of the Group as a result of the deconsolidation of Affected Schools since 31 August 2021.

### **Foreign Exchange Exposure**

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures and liabilities are denominated in foreign currencies such as HKD, USD, CAD, MYR and SGD. As at 31 August 2021, certain bank balances and cash and liabilities were denominated in HKD, USD, CAD and SGD. The Group did not enter into any financial arrangement for hedging purposes as it is expected that its foreign exchange exposure will not be material.

### **Discontinued Operations**

On 14 May 2021, the PRC State Council announced the Implementation Regulations, which came into effect on 1 September 2021. As a result of the deconsolidation of the Affected Schools on 31 August 2021, the operations of the Affected Schools have been classified as discontinued operations in the consolidated financial statements of the Company for the year ended 31 August 2021 under the International Financial Reporting Standards. Please refer to Note 8 to the consolidated financial statements: Discontinued Operations for further details.

### **Contingent Liabilities**

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking among other things, specific performance of the consultancy agreement (the "**Agreement**") between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region (the "**High Court**") its acknowledgement of service of the writ and indicated its intention to defend the claim.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin's application was dismissed. The case has now proceeded to the main trial stage.

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option provided in the Agreement. The date of hearing at the Court of First Instance of the High Court for the Zhixin Case is fixed on 16 May 2022.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As at 31 August 2021, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

The number of shares disclosed in the Zhixin Case has not considered the effect of share subdivision that became effective on 9 July 2018.

### **Pledge of Assets**

As at 31 August 2021, the Group pledged a total bank deposits of RMB1,548.2 million and certain investment properties with an aggregate carrying amount of RMB310.7 million to certain licenced banks for certain banking facilities.

### **Details of the auditor's disclaimer of opinion**

The Group incurred net losses from continuing operations and discontinued operations of approximately RMB671.9 million and RMB2.5 billion respectively during the year ended 31 August 2021 and, as of 31 August 2021, the Group had net current liabilities of approximately RMB600.8 million. The Group's total secured bank borrowings amounted to approximately RMB2.6 billion as at 31 August 2021, out of which RMB2.5 billion will be due for repayment within 12 months from 31 August 2021; while its cash and cash equivalents amounted to approximately RMB739.5 million only as at 31 August 2021. These conditions, together with other matters described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have undertaken a number of plans and measures to improve the Group's liquidity and financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (i) whether the Group is able to obtain a new bank loan as soon as practicable to replace the existing loan with loan covenants that have been breached; (ii) whether the breached loan covenants can be waived in the current facility agreement; (iii) the future development and interpretation of the Implementation Regulations; and (iv) the Covid-19 situation. Please refer to Note 18 to the consolidated financial statements for further details of the breached loan covenants.

The management of the Group (“**Management**”) believes that the Group should be able to operate as a going concern on the assumption that a new bank loan of approximately SGD300.0 million (equivalent to approximately RMB1.4 billion) can be obtained as soon as practicable to replace the existing loan with principal amount of approximately SGD204.6 million (equivalent to RMB984.4 million) as loan covenants have been breached and other plans and measures can be successfully implemented. Given the execution of the plans and measures by the Group involving multiple uncertainties, and the possible cumulative effect thereof, Deloitte Touche Tohmatsu (“**Auditor**”), the auditor of the Company, disclaimed its opinion in respect of the consolidated financial statements for the year ended 31 August 2021 (“**Audit Qualification**”). Please refer to note 2 to the consolidated financial statements and the section headed “Extract from Deloitte’s Independent Auditor’s Report” of this announcement for further details of the Audit Qualification.

### **The Management’s position and basis on major judgmental areas**

In view of such circumstances, the Management had assessed the Group’s current liquidity, performance and available sources of financing in considering the Group’s ability to continue as a going concern. The Management has also taken or will continue to implement the measures to mitigate the Group’s liquidity pressure and improve the conditions of cash flow, and on the assumption of successful and continued implementation of such measures, and taking into account the Group’s cash flow forecasts which covers a period of not less than 12 months from the date of approval of the consolidated financial statements for the year ended 31 August 2021. The Management and the Directors are satisfied that it is appropriate to prepare the Group’s consolidated financial statements on a going concern basis. The Management and the Directors are of the view that the Group will, taken into account the measures implemented or to be implemented, have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the date of approval of the consolidated financial statements for the year ended 31 August 2021.

## **Action Plans of the Group**

The Group has been working closely with the banks to obtain a new loan of approximately SGD300.0 million (equivalent to approximately RMB1.4 billion) to replace the existing loan. As the measure involves ongoing negotiations with various banks, it is difficult to define a definite timetable on the completion of this measure. However, the Company will strive to enter the facility agreement of the new loan as soon as practicable following the publication of the 2021 annual results of the Group. In addition, the Company considered to discuss with banks to waive the breached loan covenant in the current loan facilities agreement. On the other hand, in view of the deconsolidation of the Affected Schools for the year ended 31 August 2021 as a result of the promulgation of the Implementation Regulations, the Management has been proactively in the process of making registration and filings with the relevant local government departments in Hainan, Henan and other provinces in the PRC for individual operating licences for the eight Mixed High Schools. Upon completion of the restructuring, it is expected that the operations of these high schools which will obtain individual operating licences will be consolidated into the consolidated financial statements of the Company. Furthermore, the Company has planned to adjust the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations. The Directors consider that the Group can continue as a going concern based on the assumption that (1) the above financing plans can be successfully completed; (2) no further rules and interpretation from the government which will adversely affect the continuing operations; and (3) the Covid-19 situation in the PRC and Southern Asia will be continuously improved.

## **Impact of the Audit Qualification on the Company's financial position**

Should the Group fail to achieve the abovementioned action plans and measures, it might not be able to continue to operate as a going concern, adjustments may have to be made to (i) write down the carrying value of the Group's assets to their recoverable amounts; (ii) provide for further liabilities that may arise; and (iii) reclassify all non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effects of these potential adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 August 2021.

## Material Acquisition and Disposal of Subsidiaries

On 22 June 2020, the Company announced that a sale and purchase agreement was entered into with Rainbow Readers Pte. Ltd. (the “**Seller**”) to acquire 100% of the issued share capital of Star Readers Pte. Ltd. (the “**Target Company**”) in two tranches. The Target Company is the sole shareholder of Canadian International School Pte. Ltd., the operator of CIS in Singapore; and Canadian International School Pte. Ltd. is 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 (collectively the “**Target Group**”). The acquisition constituted a major transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). Written shareholders’ approval for the acquisition was given on 14 July 2020 and became unconditional on 20 August 2020. The shareholders’ approval requirement in respect of the acquisition was satisfied in accordance with Rule 14.44 of the Listing Rules.

The first closing of the acquisition took place on 26 August 2020. Upon the first closing, the Company acquired 90% of the issued share capital of the Target Company at a consideration of SGD624.8 million (after adjustments). In accordance with the sale and purchase agreement, the second closing for the acquisition of the remaining 10% of the issued share capital of the Target Company shall take place after the end of academic year 2022.

Pursuant to the sale and purchase agreement, the aggregate consideration for 100% of the issued share capital of the Target Company and the settlement of the bank debt of SGD 680,000,000 is subject to the possible adjustments including closing adjustment (the “**Closing Adjustment**”), EBITDA adjustment amount (the “**EBITDA Adjustment Amount**”), enrolment adjustment amount (the “**Enrolment Adjustment Amount**”) and earn-out amount (the “**Earn-out Amount**”).

The Group received the Closing Adjustment of approximately SGD9.3 million from the Seller as the Closing Adjustment was a negative figure based on the closing statement of the Target Group. As 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) was less than 3,250, the Earn-out Amount was a negative number. Therefore, no Earn-out Amount was payable by the Group to the Seller. As the adjusted EBITDA for academic year 2020 was more than SGD51.4 million, the EBITDA Adjustment Amount was a negative number. Therefore, no EBITDA Adjustment Amount was payable by the Seller to the Group. No Enrolment Adjustment Amount was payable by the Seller to the Group as the total student enrolment at CIS (including non-fee-paying students) was more than 3,000 both as at 31 August 2020 and as at 31 January 2021.

Please refer to the announcements of the Company dated 22 June 2020, 15 July 2020, 20 August 2020 and 27 August 2020 and the circular of the Company dated 30 September 2020 for further details.

Save as disclosed in this announcement, the Group had no other material acquisition and disposal of subsidiaries during the year ended 31 August 2021.



## **Significant Investment Held**

As at 31 August 2021, no significant investment was held by the Group.

## **Employee Benefits**

The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a post-IPO share option scheme, a share award scheme, an employee share purchase plan and a pension plan set up for its employees and other eligible persons. Salaries and other benefits of the Group's employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, results and performance of the Group and relevant market conditions.

## **Pension Plan**

To ensure the smooth implementation of the Sixth Five-Year Plan, the Group has devised incentive plans aiming at encouraging employees to provide their services to the Group on a long-term basis, and to share the fruits of the Group's development.

The pension plan is specifically designed for foreign teachers who work in the Group's schools operated in China. Under this proposed pension plan, every month a sum amounting to 3.0% of the eligible employee's monthly salary will be paid by each foreign employee and by the Group respectively, as contribution to the employee's pension. The Group has entrusted a professional trustee to manage the funds under the pension plan. The leaving employees will receive part or all of the funds paid by the Group according to the number of years of service in the Group.



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 AUGUST 2021**

	<i>NOTES</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i> (Restated)
<b>Continuing operations</b>			
Revenue	4	<b>941,015</b>	385,882
Cost of revenue		<b>(525,265)</b>	(228,405)
Gross profit		<b>415,750</b>	157,477
Investment and other income	5	<b>76,010</b>	47,950
Other gains and losses	6	<b>(736,628)</b>	7,243
Impairment losses under expected credit loss model, net of reversal		<b>1,765</b>	–
Marketing expenses		<b>(15,716)</b>	(10,436)
Administrative expenses		<b>(250,725)</b>	(132,724)
Finance costs		<b>(116,271)</b>	(12,513)
(Loss) profit before taxation		<b>(625,815)</b>	56,997
Taxation	7	<b>(46,104)</b>	(13,572)
(Loss) profit for the year from continuing operations		<b>(671,919)</b>	43,425
<b>Discontinued operations</b>			
(Loss) profit for the year from discontinued operations	8	<b>(2,451,711)</b>	465,654
(Loss) profit for the year		<b>(3,123,630)</b>	509,079
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on the translation of foreign operations		<b>(31,326)</b>	2,126
Total comprehensive (expense) income for the year		<b>(3,154,956)</b>	511,205

	<i>NOTES</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i> (Restated)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		<b>(671,919)</b>	43,425
– from discontinued operations		<b>(2,455,712)</b>	461,853
		<hr/>	<hr/>
(Loss) profit for the year attributable to owners of the Company		<b>(3,127,631)</b>	505,278
		<hr/>	<hr/>
Profit for the year attributable to non-controlling interests			
– from continuing operations		–	–
– from discontinued operations		<b>4,001</b>	3,801
		<hr/>	<hr/>
Profit for the year attributable to non-controlling interests		<b>4,001</b>	3,801
		<hr/>	<hr/>
		<b>(3,123,630)</b>	509,079
		<hr/>	<hr/>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>(3,158,957)</b>	507,404
Non-controlling interests		<b>4,001</b>	3,801
		<hr/>	<hr/>
		<b>(3,154,956)</b>	511,205
		<hr/>	<hr/>
Total comprehensive (expense) income attributable to owners of the Company:			
– from continuing operations		<b>(703,245)</b>	45,551
– from discontinued operations		<b>(2,455,712)</b>	461,853
		<hr/>	<hr/>
		<b>(3,158,957)</b>	507,404
		<hr/>	<hr/>
<b>(LOSS) EARNINGS PER SHARE</b>			
From continuing and discontinued operations			
Basic ( <i>RMB cents</i> )	<i>11</i>	<b>(105.27)</b>	17.01
		<hr/>	<hr/>
Diluted ( <i>RMB cents</i> )	<i>11</i>	<b>(105.27)</b>	17.01
		<hr/>	<hr/>
From continuing operations			
Basic ( <i>RMB cents</i> )		<b>(22.62)</b>	1.46
		<hr/>	<hr/>
Diluted ( <i>RMB cents</i> )		<b>(22.62)</b>	1.46
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 AUGUST 2021**

	<i>NOTES</i>	<b>31 August 2021 RMB'000</b>	31 August 2020 RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment		<b>2,002,303</b>	3,842,542
Right-of-use assets		<b>84,738</b>	503,975
Investment properties		<b>328,876</b>	348,741
Goodwill	<i>12</i>	<b>1,896,803</b>	2,449,342
Other intangible assets	<i>13</i>	<b>863,515</b>	1,004,663
Prepayments for acquisition of property and equipment		<b>3,477</b>	8,996
Books for lease		<b>388</b>	1,350
Pledged bank deposits		–	132,000
		<b>5,180,100</b>	8,291,609
<b>Current Assets</b>			
Inventories		<b>16,896</b>	18,487
Deposits, prepayments, trade and other receivables	<i>14</i>	<b>91,567</b>	174,088
Financial assets at fair value through profit or loss (“FVTPL”)		<b>8,274</b>	12,905
Pledged bank deposits		<b>1,548,151</b>	1,412,668
Restricted cash		–	48,566
Bank balances and cash	<i>15</i>	<b>739,477</b>	1,310,907
Amount due from related parties		<b>296,757</b>	–
		<b>2,701,122</b>	2,977,621
<b>Current Liabilities</b>			
Contract liabilities	<i>16</i>	<b>441,673</b>	1,506,002
Other payables and accrued expenses	<i>17</i>	<b>208,158</b>	628,088
Lease liabilities		<b>9,388</b>	30,641
Income tax payable		<b>89,418</b>	116,300
Borrowings	<i>18</i>	<b>2,547,183</b>	2,303,062
Amount due to related parties		<b>6,053</b>	–
		<b>3,301,873</b>	4,584,093
<b>Net Current Liabilities</b>		<b>(600,751)</b>	(1,606,472)
<b>Total Assets Less Current Liabilities</b>		<b>4,579,349</b>	6,685,137

	<i>NOTES</i>	<b>31 August 2021 RMB'000</b>	31 August 2020 RMB'000
<b>Capital and Reserves</b>			
Share capital		<b>9,309</b>	9,309
Reserves		<b>1,379,548</b>	4,517,653
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>1,388,857</b>	4,526,962
Non-controlling interests		<b>–</b>	96,673
		<hr/>	<hr/>
Total Equity		<b>1,388,857</b>	4,623,635
		<hr/>	<hr/>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		<b>255,820</b>	333,592
Borrowings	<i>18</i>	<b>81,400</b>	1,327,504
Lease liabilities		<b>9,430</b>	170,335
Convertible bonds	<i>19</i>	<b>753,665</b>	–
Consideration payable		<b>204,005</b>	203,225
Contingent consideration		<b>24,178</b>	26,846
		<hr/>	<hr/>
Amount due to related parties		<b>1,861,994</b>	–
		<hr/>	<hr/>
		<b>3,190,492</b>	2,061,502
		<hr/>	<hr/>
		<b>4,579,349</b>	6,685,137
		<hr/>	<hr/>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### *FOR THE YEAR ENDED 31 AUGUST 2021*

#### **1. GENERAL INFORMATION**

China Maple Leaf Educational Systems Limited (the “**Company**” together with its subsidiaries collectively referred to as the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on 5 June 2007. Its shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands (“**BVI**”) and its ultimate controlling party is Mr. Shu Liang Sherman Jen, who is also the Chairman of the board and Chief Executive Officer of the Company. The address of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, the Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is No. 76, Baohe Avenue, Baolong Community, Baolong Street, Longgang District, Shenzhen, Guangdong Province 518116, the People’s Republic of China (“**PRC**”).

The Group operates a network of bilingual private schools and preschools in the PRC under the “Maple Leaf” brand and in the Southeast Asia under the brand “Canadian International School” and “Kingsley International School”, focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education mainly within the PRC and Southeast Asia.

#### **2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

##### **Recently issued implementation regulations of the PRC for the law for promoting of private education (the “Implementation Regulations”)**

During the year ended 31 August 2021, the PRC State Council announced the issuance of the Implementation Regulations, which became effective on 1 September 2021. The key provisions of the Implementation Regulations include, but not limited to: (1) prohibiting foreign investors from controlling private schools that provides compulsory education (which includes the six years primary school education and the three years middle school education provided to PRC residents) and not-for-profit schools that provides pre-school education (the “**Affected Schools**”) by means of merger, acquisition and contractual arrangements, and (2) prohibiting private schools providing compulsory education from conducting transactions with the related parties. Therefore, the Contractual Arrangements with the Affected Schools is considered not enforceable upon the effective of the Implementation Regulations. Based on its reassessment of the Contractual Arrangements and the profound implication of the Implementation Regulations, the Directors considered that, the Group’s ability to use its power from the Contractual Arrangements to direct the relevant activities of and its ability to affect its variable returns from the Affected Schools had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practicable for the Group to make relevant decision to obtain significant variable returns from the Affected Schools. Consequently the Group lost control over the Affected Schools on 31 August 2021 immediately before the Implementation Regulations became effective, and deconsolidated the Affected Schools as of 31 August 2021.

## Going concern assessment

During the year ended 31 August 2021, the Group incurred net losses from continuing operations and discontinued operation of approximately RMB671,919,000 and RMB2,451,711,000 respectively, and, as at that date, the Group had net current liabilities of approximately RMB600,751,000. The Group's total secured bank borrowings amounted to approximately RMB2,628,583,000 as at 31 August 2021, out of which RMB2,547,183,000 will be due for repayment within twelve months from 31 August 2021; while its cash and cash equivalents amounted to approximately RMB739,477,000 as at 31 August 2021.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including: (1) consider to discuss with banks to waive the breached loan covenant in the current loan facilities agreement with principal amount of SGD204,648,000 (equivalent to RMB984,375,000); (2) negotiating a new bank loan of SGD300,000,000 (equivalent to RMB1,442,000,000) (the "New Loan") to replace the existing loan with loan covenants that have been breached; (3) in discussions with local government departments to comply with the Implementation Regulations and (4) adjusting the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations. The directors of the Company consider that the Group can continue as a going concern based on the assumption that (1) the above financing plans can be successfully completed; (2) no further rules and interpretation from the government will adversely affect the continuing operation and (3) the COVID situation in the PRC and Southern Asia will be continuously improved.

Notwithstanding the above, at the date of approving these consolidated financial statements, the waiver of the breached loan covenants in the current loan facilities agreement has not been agreed or the new loan agreement has not been signed. In addition, there are other uncertainties on the outcome of these financing plans, the future development of rules and regulations and COVID situation. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the consolidated financial statements.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

### 3. ADOPTION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 September 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective.

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRS 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



#### 4. REVENUE

Revenue represents (i) service income from tuition fees and boarding fees, (ii) fees from summer and winter camps provided to students, (iii) fees from selling educational books to students, and (iv) fees from overseas studies consulting services, sales of goods and educational materials to students, less refunds and sales related tax.

The revenues from continuing operation attributable to the Group's service lines are as follows:

(i) **Disaggregation of revenue from contracts with customers from continuing operation**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
<b>Types of goods or services</b>		
Tuition and boarding fees	830,346	292,696
Summer and winter camps	974	3,370
Sales of textbooks	10,669	10,687
Others	99,026	79,129
	<u>941,015</u>	<u>385,882</u>
<b>Timing of revenue recognition</b>		
Over time	855,514	318,922
A point in time	85,501	66,960
	<u>941,015</u>	<u>385,882</u>

(ii) **Operating segments**

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Following the acquisition of Star Readers Pte. Ltd. in Singapore on 26 August 2020, the Group's international school education business in overseas starts to contribute significant portion of revenue and profits. Starting from this current year, discrete segment information is developed and reported to the CODM. Specifically, the Group's reportable segments under IFRS 8 are as follows:

1. PRC Segment
2. Overseas Segment

The Group is mainly engaged in international school education in the PRC and Southeast Asia. The CODM reviews revenue analysis by services lines when making decisions about allocating resources and assessing performance of the Group.

As disclosed in Note 2, the Group has deconsolidated the Affected Schools on 31 August 2021 which were part of the PRC Segment and presented the Affected Schools as discontinued operations separately in the consolidate statement of profit or loss and other comprehensive income. The segment information below excludes amounts of discontinued operation (Note 8). The corresponding information for the year ended 31 August 2020 was re-presented to conform to the current year's presentation. The inter-company transactions were eliminated without any adjustments between the continuing operations and the discontinued operations for both the year ended 31 August 2021 and 2020.

## Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

### For the year ended 31 August 2021

#### Continuing operations

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
<b>Segment revenue</b>			
External sales	369,546	571,469	941,015
Inter-segment sales	–	–	–
	<u>369,546</u>	<u>571,469</u>	<u>941,015</u>
Segment loss	<u>(457,392)</u>	<u>(151,795)</u>	<u>(609,187)</u>
Unallocated items:			
Directors' and chief executives' emoluments			(8,557)
Corporate administrative expense			<u>(8,071)</u>
Group's loss before income tax from continuing operations			<u>(625,815)</u>

### For the year ended 31 August 2020 (Restated)

#### Continuing operations

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
<b>Segment revenue</b>			
External sales	349,525	36,357	385,882
Inter-segment sales	–	1,204	1,204
	<u>349,525</u>	<u>37,561</u>	<u>387,086</u>
Segment profit (loss)	<u>93,487</u>	<u>(20,468)</u>	<u>73,019</u>
Unallocated items:			
Directors' and chief executives' emoluments			(10,238)
Corporate administrative expense			<u>(5,784)</u>
Group's loss before income tax from continuing operations			<u>56,997</u>

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	<b>At 31 August 2021 RMB'000</b>	At 31 August 2020 RMB'000
<b>Segment assets</b>		
PRC segment	<b>3,746,200</b>	6,441,595
Overseas segment	<b>4,135,022</b>	4,827,635
Consolidated assets	<b><u>7,881,222</u></b>	<u>11,269,230</u>
	<b>At 31 August 2021 RMB'000</b>	At 31 August 2020 RMB'000
<b>Segment liabilities</b>		
PRC segment	<b>4,454,681</b>	4,401,066
Overseas segment	<b>2,037,684</b>	2,244,529
Consolidated liabilities	<b><u>6,492,365</u></b>	<u>6,645,595</u>

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments. Assets and liabilities used jointly by operating segments are allocated to the PRC segment as the amount is insignificant.

## Major customers

No single customer contributed 10% or more of total revenue of the Group for the years ended 31 August 2021 and 2020.

## Geographical information

The Group primarily operates in the PRC and Southeast Asia. Information about the Group's revenue from continuing operations from external customers and non-current assets is presented based on the location of the assets.

	<b>Revenue from external customers</b>		<b>Non-current assets</b>	
	<b>Year ended 31 August 2021 RMB'000</b>	31 August 2020 RMB'000 (Restated)	<b>31 August 2021 RMB'000</b>	31 August 2020 RMB'000
PRC	<b>369,546</b>	349,525	<b>997,979</b>	3,566,676
Singapore	<b>523,875</b>	–	<b>3,720,103</b>	4,144,874
Malaysia	<b>38,253</b>	19,190	<b>389,876</b>	503,447
Others	<b>9,341</b>	17,167	<b>72,142</b>	76,612
	<b><u>941,015</u></b>	<u>385,882</u>	<b><u>5,180,100</u></b>	<u>8,291,609</u>

## 5. INVESTMENT AND OTHER INCOME

### Continuing Operations

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Bank interest income	40,417	20,051
Government grant	19,139	8,563
Rental income from investment properties	12,920	16,669
Interest income from short-term loan to a third party	1,763	1,304
Dividend income from financial assets at FVTPL	541	511
Others	1,230	852
	<u>76,010</u>	<u>47,950</u>

During the current year, the Group recognised government grants of RMB13,157,000 (2020: RMB1,732,000) in respect of Covid-19-related subsidies.

## 6. OTHER GAINS AND LOSSES

### Continuing Operations

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
Gain arising from fair value changes of convertible bond	52,737	–
Reversal of other payables	1,960	4,142
Gain arising from changes in fair value of financial assets measured at FVTPL	111	8,093
Loss on disposal of property, plant and equipment	(1,759)	–
Net foreign exchange gain	450	1,496
Gain arising from fair value changes of contingent consideration	1,420	–
Impairment loss recognised in respect of		
– property, plant and equipment	(545,230)	(7,339)
– goodwill	(199,215)	–
– right-of-use assets (Leasehold land)	(46,798)	–
– other intangible assets	(2,416)	–
Others	2,112	851
	<u>(736,628)</u>	<u>7,243</u>

## 7. TAXATION

### Continuing operations

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
The charge comprises		
Current tax:		
Enterprise Income Tax (“EIT”)	62,118	14,742
Deferred tax	(16,014)	(1,170)
	<u>46,104</u>	<u>13,572</u>

The income tax expense for the year can be reconciled to the (loss) profit before taxation as follows:

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000 (Restated)
(Loss) profit before taxation	<u>(625,815)</u>	<u>56,997</u>
Tax at PRC EIT rate of 25%	(156,454)	14,249
Tax effect of preferential tax rate granted	(3,589)	(9,562)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	4,235	14,556
Tax effect of tax loss not recognised	13,667	6,432
Tax effect of deductible temporary differences not recognised	198,415	–
Utilisation of tax loss previously not recognised	(5,149)	(173)
Tax effect of income not taxable for tax purposes	(53,507)	(63,987)
Tax effect of expenses not deductible for tax purposes	<u>48,486</u>	<u>52,057</u>
Tax charge for the year	<u><b>46,104</b></u>	<u>13,572</u>

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited (“**Maple BVI**”) was incorporated in the BVI, both are tax exempted as no business is carried out in the Cayman Islands or the BVI under the tax laws of the Cayman Islands or the BVI, respectively.

No provision for Hong Kong Profits Tax has been made as the Group’s operation in Hong Kong had no assessable profit for the years ended 31 August 2021 and 2020. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Inland Revenue Board, an agency of the Ministry of Finance in Malaysia, is responsible for the administration of direct taxes enacted under the Income Tax Act. The standard corporate tax rate in Malaysia is 24%.

The standard corporate tax rate in Singapore is 17% and Singapore follows a single-tier corporate tax system.

Dalian Beipeng Software Development Inc. (“**Dalian Beipeng Software**”) is entitled to High and New Technology Enterprise (“**HNTE**”) status starting from the calendar year of 2017. Dalian Beipeng Software is eligible for a preferential enterprise income tax rate of 15% starting from the calendar year of 2017. The HNTE status is valid for three years, and is renewed on 2 December 2019.

According to the Implementation Regulations for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, subject to review by relevant tax bureaus each year. Dalian Maple Leaf International School (the “**Dalian High School**”) and Wuhan Maple Leaf International School, have been granted enterprise income tax exemption for the tuition income from relevant local tax bureaus.

Taxation arising in other jurisdictions is calculated as the rates prevailing in the relevant jurisdictions.

During the year ended 31 August 2021, non-taxable tuition income was RMB214,028,000 (2020: RMB255,948,000), and the related expense of RMB98,082,000 (2020: RMB111,062,000) was not deductible.

As at 31 August 2021, the Group had unused tax loss of RMB143,099,000 (2020: RMB155,838,000) available for offset against future taxable profits. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future taxable profit streams. As at 31 August 2021, tax losses of RMB133,813,000 (2020: RMB155,838,000) will expire in various years before 2026 (2020: 2025).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,023,451,000 at 31 August 2021 (2020: RMB1,444,398,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 August 2021, there are uncertain tax items raised in relation to Canadian International School Ptd. Ltd. (“CIS” a wholly owned subsidiary of the Company) in relation to the interpretation of tax legislation regarding the financing arrangements between the entity and its immediate holding company. In assessing any appropriate provision requirements for uncertain tax items, the Company considers progress made in discussions with IRAS expert advice on the likely outcome and any recent developments in case law, and no provision has been made in relation to the uncertain tax items.

## **8. DISCONTINUED OPERATIONS**

As disclosed in Note 2, due to the promulgation of the Implementation Regulations, the Directors reassessed the Contractual Arrangements and concluded that the Group ceased its control over the Affected Schools by 31 August 2021 and the Affected Schools were deconsolidated from the consolidated financial statements of the Group as of 31 August 2021.

The Directors classified the operations relating to the Affected Schools as discontinued operations and the results of the discontinued operations were presented separately in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2021. The comparative information relating to the discontinued operations has been re-presented to conform to the current year’s presentation.

The net assets held by the Affected Schools were RMB2,905,548,000 upon deconsolidation as at 31 August 2021 and an aggregate one-off loss upon deconsolidation of the Affected Schools was recognised during the year and included in the losses from discontinued operations.

	<b>2021</b> <b>RMB'000</b>	2020 RMB'000 (Restated)
Revenue	<u>1,210,134</u>	1,142,726
Cost of sales	<b>(618,820)</b>	(586,978)
Investment and other income	<b>9,093</b>	11,824
Other gains and losses	<b>(478)</b>	18,271
Marketing expenses	<b>(22,473)</b>	(21,717)
Administrative expenses	<b>(115,350)</b>	(92,469)
Finance costs	<u><b>(5,258)</b></u>	<u>(5,797)</u>
Profit before tax	<b>456,848</b>	465,860
Taxation	<u><b>(3,011)</b></u>	<u>(206)</u>
Profit for the year before loss on deconsolidation of Affected Schools	<b>453,837</b>	465,654
Loss on deconsolidation of Affected Schools	<u><b>(2,905,548)</b></u>	<u>–</u>
(Loss) profit for the year	<u><b>(2,451,711)</b></u>	<u>465,654</u>
	<b>2021</b> <b>RMB'000</b>	2020 RMB'000 (Restated)
<b>(Loss) profit for the year from discontinued operations includes the following:</b>		
Staff costs, including directors' remuneration		
– salaries and other allowances	<b>433,463</b>	442,657
– retirement benefit scheme contributions	<u><b>28,454</b></u>	<u>20,388</u>
Total staff costs	<u><b>461,917</b></u>	<u>463,045</u>
Depreciation of property, plant and equipment	<b>69,612</b>	66,597
Amortisation of intangible assets	<b>9,547</b>	11,575
Depreciation of right-of-use assets	<b>28,892</b>	27,791
Amortisation of books for lease	<b>631</b>	855
Covid-19-related rent concessions	<b>(410)</b>	(649)

During the year ended 31 August 2021, the Affected Schools contributed approximately RMB473,618,000 (2020: RMB(526,803,000)) to the Group's net operating cash flows, paid approximately RMB66,788,000 (2020: RMB85,926,000) in respect of investing activities and paid approximately RMB19,978,000 (2020: RMB16,300,000) in respect of financing activities.



## 9. (LOSS) PROFIT FOR THE YEAR

### Continuing Operations

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (Restated)
<b>Profit for the year has been arrived at after charging (crediting):</b>		
Staff costs, including directors' remuneration		
– salaries and other allowances	408,231	157,466
– retirement benefit scheme contributions	8,852	3,016
– share-based payments	8,570	16,177
	<u>425,653</u>	<u>176,659</u>
Total staff costs		
	<u>425,653</u>	<u>176,659</u>
Gross rental income from investment properties	(12,920)	(16,669)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	1,120	1,703
	<u>(11,800)</u>	<u>(14,966)</u>
Net rental income		
	<u>(11,800)</u>	<u>(14,966)</u>
Impairment loss recognised in respect of		
– property, plant and equipment	545,230	7,339
– goodwill	199,215	–
– right-of-use assets	46,798	–
– other intangible assets	2,416	–
Depreciation of property, plant and equipment	79,854	26,219
Amortisation of intangible assets	65,366	3,943
Depreciation of right-of-use assets	11,605	5,548
Depreciation of investment properties	3,545	4,093
Auditors' remuneration	3,150	3,050
Amortisation of books for lease	497	578
Gain arising from fair value changes of convertible bonds	(52,737)	–
Gain arising from fair value changes of contingent consideration	(1,420)	–
Covid-19-related rent concessions	–	(72)
	<u>–</u>	<u>(72)</u>

## 10. DIVIDENDS

During the year ended 31 August 2020, a final dividend of HKD5.6 cents (equivalent to approximately RMB5.0 cents) per share (total dividend of RMB150,656,000) in respect of the year ended 31 August 2019 was paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

No dividend in respect of the year ended 31 August 2021 has been proposed by the Directors of the Company.

## 11. (LOSS) EARNINGS PER SHARE

### For continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	<b>Year ended 31/08/2021 RMB'000</b>	Year ended 31/08/2020 RMB'000 (Restated)
(Loss) profit for the year attributable to owners of the Company	<u><b>(3,127,631)</b></u>	<u>505,278</u>
(Loss) profit for the year from discontinued operations	<u><b>(2,455,712)</b></u>	<u>461,853</u>
(Loss) earnings for the purpose of basic and dilutive (loss)/earnings per share from continuing operations	<u><b>(671,919)</b></u>	<u>43,425</u>

### Number of shares:

	<b>At 31 August 2021 RMB'000</b>	At 31 August 2020 RMB'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>2,970,940</b>	2,970,545
Effect of dilutive potential ordinary shares	<u>—</u>	<u>5</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u><b>2,970,940</b></u>	<u>2,970,550</u>

The number of shares adopted in the calculation of the basic (loss) earnings per share for the years ended 31 August 2021 and 2020 has been arrived at after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

The number of shares adopted in the calculation of the diluted loss per share for the year ended 31 August 2021 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the year ended 31 August 2021.

The computation of diluted loss per share for the year ended 31 August 2021 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share from continuing operations.

The number of shares adopted in the calculation of the diluted earnings per share for the year ended 31 August 2020 has been arrived after assuming the exercise of the Company's outstanding share options.

### From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations and discontinued operations attributable to owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	<b>At 31 August 2021 RMB'000</b>	At 31 August 2020 RMB'000 (Restated)
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<b><u>(3,127,631)</u></b>	<u>505,278</u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

### From discontinued operations

Basic and diluted (loss) earnings per share for the discontinued operations is RMB(82.66) cents per share (2020: RMB15.55 cents per share), based on the (loss) profit for the year from the discontinued operations of approximately RMB(2,455,712,000) (2020: RMB461,853,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

## 12. GOODWILL

	<b>2021 RMB'000</b>	2020 RMB'000
<b>COST AND CARRYING VALUES</b>		
At 1 September	<b>2,449,342</b>	252,848
Arising on acquisition of subsidiaries	–	2,196,089
Deconsolidation	<b>(252,848)</b>	–
Impairment loss recognised in the year	<b>(199,215)</b>	–
Exchange adjustment	<b><u>(100,476)</u></b>	<u>405</u>
At 31 August	<b><u>1,896,803</u></b>	<u>2,449,342</u>

### 13. OTHER INTANGIBLE ASSETS

	Student base <i>RMB'000</i>	Licence <i>RMB'000</i>	Trademark <i>RMB'000</i>	Total <i>RMB'000</i>
<b>COST</b>				
At 1 September 2019	45,300	1,721	–	47,021
Exchange adjustments	(10)	635	468	1,093
Acquired through acquisition of subsidiaries	321,941	70,618	587,161	979,720
At 31 August 2020	367,231	72,974	587,629	1,027,834
Deconsolidation	(45,300)	(1,721)	–	(47,021)
Exchange adjustments	(15,376)	(3,633)	(28,241)	(47,250)
<b>At 31 August 2021</b>	<b>306,555</b>	<b>67,620</b>	<b>559,388</b>	<b>933,563</b>
<b>AMORTISATION</b>				
At 1 September 2019	6,486	1,130	–	7,616
Exchange adjustments	1	36	–	37
Provided for the year	11,339	4,179	–	15,518
At 31 August 2020	17,826	5,345	–	23,171
Deconsolidation	(27,067)	(1,672)	–	(28,739)
Exchange adjustments	(929)	(717)	(67)	(1,713)
Impairment loss in the year	–	–	2,416	2,416
Provided for the year	53,195	21,718	–	74,913
<b>At 31 August 2021</b>	<b>43,025</b>	<b>24,674</b>	<b>2,349</b>	<b>70,048</b>
<b>CARRYING VALUES</b>				
<b>At 31 August 2021</b>	<b>263,530</b>	<b>42,946</b>	<b>557,039</b>	<b>863,515</b>
At 31 August 2020	349,405	67,629	587,629	1,004,663

The trademark of Kingsley International School and Canadian International School has a legal life of 10 years and is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

All of the Group's student base, trademark and licence were acquired through business combination. Trademark has an infinite estimated useful life. Student base has a finite estimated useful life and are amortised on expected usage of the intangible assets. Licence has a finite estimated useful life of 1.75-4 years and it is amortised on the straight-line basis over the estimated useful life.

#### 14. DEPOSITS, PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	<b>31 August 2021</b>	31 August 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Receivable from third parties	<b>27,718</b>	40,370
Short-term loan to a third party ( <i>Note</i> )	<b>31,414</b>	31,414
Prepaid rent and other prepaid expenses	<b>9,403</b>	11,042
Trade receivables net of allowance for credit losses	<b>5,581</b>	5,841
Deposits	<b>4,212</b>	8,542
Staff advances	<b>186</b>	464
Management fees receivables	<b>51</b>	12,592
Consideration adjustment receivable	–	46,731
Others	<b>13,542</b>	17,092
	<b>91,567</b>	174,088

*Note:* In July 2019, the Group entered into a short-term loan agreement with Zhangqiu Construction and Investment Limited of RMB30,000,000, the loan was due in one year. In August 2021, the Group extended the loan agreement to July 2022. According to the loan agreement, the interest rate shall be the same as base rate published by the People's Bank of China for the same period.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit loss (“ECL”). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions at the reporting date. The group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable.

The following table details the risk profile of trade receivables from contracts with customers based on the group's provision matrix. As the group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the group's different customer base. The following is an analysis of trade receivables by age, presented based on the dates the students were informed for payment.

	<b>At 31 August</b>	At 31 August
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Not past due	<b>3,509</b>	3,541
0-30 days	<b>592</b>	1,019
31-60 days	<b>510</b>	199
61-90 days	<b>189</b>	215
>90 days	<b>781</b>	867
	<b>5,581</b>	5,841

## 15. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 August 2021, the Group's bank deposits carry interest at market rates which range from 0.35% to 2.03% (31 August 2020: 0.30% to 2.03%) per annum.

At the end of each year, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entities to which they relate.

	<b>31 August 2021</b>	31 August 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Currency:		
United States dollar ("USD")	<b>92,232</b>	100,404
Singapore dollar ("SGD")	<b>30,233</b>	6,527
HKD	<b>11,500</b>	20,818
Canadian dollar ("CAD")	<b>443</b>	3,469
Australian dollar ("AUD")	<b>47</b>	27
	<b>134,455</b>	131,245

## 16. CONTRACT LIABILITIES

	<b>31 August 2021</b>	31 August 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Tuition and boarding fees	<b>406,952</b>	1,444,104
Others	<b>34,721</b>	61,898
	<b>441,673</b>	1,506,002

## 17. OTHER PAYABLES AND ACCRUED EXPENSES

	<b>31 August 2021</b>	31 August 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of property, plant and equipment	<b>62,018</b>	153,701
Miscellaneous expenses received from students ( <i>Note</i> )	<b>35,741</b>	222,404
Accrued payroll	<b>20,520</b>	44,579
Deposits received from students	<b>18,953</b>	38,588
Acquisition consideration payable	<b>13,237</b>	64,015
Payables for purchase of goods	<b>8,750</b>	6,982
Accrued operating expenses	<b>3,575</b>	4,784
Prepayment from lessee	<b>2,089</b>	4,470
Accrued professional fees for the acquisition	<b>681</b>	13,903
Government grant	–	5,994
Other tax payables	<b>9,338</b>	6,110
Others	<b>33,256</b>	62,558
	<b>208,158</b>	628,088

*Note:* The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

## 18. BORROWINGS

	<b>31 August 2021</b> <i>RMB'000</i>	31 August 2020 <i>RMB'000</i>
Secured bank borrowings	<u>2,628,583</u>	<u>3,630,566</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	2,547,183	2,303,062
Within a period of more than one year but not exceeding two years	13,228	357,992
Within a period of more than two years but not exceeding five years	46,302	917,885
Within a period of more than five years	<u>21,870</u>	<u>51,627</u>
	<b>2,628,583</b>	3,630,566
Less: Amounts due within one year shown under current liabilities	<u>(2,547,183)</u>	<u>(2,303,062)</u>
Amounts shown under non-current liabilities	<u><b>81,400</b></u>	<u>1,327,504</u>

The borrowings amounting to SGD23,103,000 and SGD259,288,000 (in aggregate equivalent to RMB1,358,291,000) are secured by pledged bank deposits of RMB135,742,000 of Dalian Maple Leaf Educational Group Co., and RMB1,412,409,000 of Dalian Beipeng Software.

The borrowings amounting to SGD40,120,000 (equivalent to RMB192,889,000) are mortgaged over an investment property owned by Maple Leaf Education Hillside Pte. Ltd. (“**Maple Hillside**”) of RMB310,698,000, and existing and future legal assignment of rental proceeds, rental deposits and other rights of Maple Hillside.

The borrowing amounting to SGD204,648,000 (equivalent to RMB984,375,000) is secured over (1) all the shares of the Offshore Group (including CIS) and Maple Leaf CIS Holdings Pte. Ltd.; (2) all the assets of the Offshore Group; (3) debt service reserve account held by CIS; (4) dividend accounts (if any), and (5) pledge over all the shares of Dalian Beipeng Software. According to the loan agreement, the loan will become repayment on demand if (1) the adjusted leverage ratio (the adjusted leverage ratio means operating profit before interest, tax, depreciation and amortisation (the “**EBITDA**”) adjusted for (a) adding EBITDA of subsidiaries acquired during the year prior to the acquisition of such subsidiary; and (b) deducting EBITDA of subsidiaries disposed during the year prior to the disposal of such subsidiary) of the Group exceed 2.50:1; or (2) change in any educational law or regulation in the PRC, which requires the Group to cease to operate, close or dispose of or transfer to a third party any of its assets in order to comply with such law or regulation. As at 31 August 2021, due to the deconsolidation of the Affected Schools, the above loan covenants have been breached and the loan is considered repayable on demand. Accordingly, the borrowing was reclassified as current liability.

The borrowings amounting to MYR59,562,000 (equivalent to RMB93,028,000) is secured by pledge of debt service reserve account held by Kingsley International Sendirian Berhad (subsidiaries owned by Kingsley) and debenture incorporating fixed and floating charge over all assets and undertakings of Kingsley.

These borrowings carry interest at fixed or variable interest rates range from 0.70% to 4.48% (31 August 2020: 0.70% to 5.58%) per annum.



## 19. CONVERTIBLE BONDS

Financial liabilities designated at FVTPL:

	At 31 August 2021 RMB'000	At 31 August 2020 RMB'000
Convertible bonds ( <i>Note</i> )	<u>753,665</u>	<u>–</u>
Analysed for reporting purposes as:		
Non-current liabilities	<u>753,665</u>	<u>–</u>

*Note:*

On 12 January 2021, the Company entered into a subscription agreement with UBS AG Hong Kong Branch (the “**Manager**”) under which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds due in 2026 in an aggregate principal amount of USD125,000,000 (the “**Convertible Bonds**”).

On 27 January 2021 (the “**Issue Date**”), the Company completed the issuance of the Convertible Bonds. The cash proceeds related to the issuance of USD125,000,000 (equivalent to RMB808,551,000) were received by the Company on the Issue Date. The issuance cost related to the Convertible Bonds of approximately USD1,250,000 (equivalent to RMB8,138,000) was charged to the finance cost. The Convertible Bonds were recognised and measured as financial liabilities designated at fair value through profit or loss. The fair value as of the Issue Date and 31 August 2021 were of RMB808,551,000 and RMB753,665,000, respectively. The changes in fair value related to the financial liabilities of RMB52,737,000 were charged to other gain and losses.

The Convertible Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.25 per cent per annum, payable semi-annually in arrears on 27 January and 27 July in each year, commencing on 27 July 2021.

Pursuant to the subscription agreement, each of the Convertible Bonds will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 March 2021 up to the close of business (at the place where the certificate evidencing the Bonds are deposited for conversion) on the seventh day prior to 27 January 2026 (the “**Maturity Date**”) (both days inclusive) (the “**Conversion Period**”) into fully paid ordinary shares with a par value of USD0.0005 each of the Company at an initial conversion price of HKD2.525 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The conversion price of the Convertible Bonds as at 31 August 2021 is HKD2.525 per share.

As at 31 August 2021, no conversion related to the Convertible Bonds was exercised by the holders.

On giving notice in accordance with the respective terms and conditions of the subscription agreement, at any time after 11 February 2024 and prior to the Maturity Date, the Convertible Bonds may be redeemed at the option of the Company. The Convertible Bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the subscription agreement. The Convertible Bonds may be redeemed at the option of the holder following the occurrence of a relevant event described in the subscription agreement or on 27 January 2024 as the optional put date for the holder to request the Company to redeem all or some of the Convertible Bonds upon giving notice in accordance with the subscription agreement.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **EXTRACT FROM DELOITTE'S INDEPENDENT AUDITOR'S REPORT**

The "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" are extracted from Deloitte's independent auditor's report for the year ended 31 August 2021 as follows:

### **Disclaimer of Opinion**

We were engaged to audit the consolidated financial statements of China Maple Leaf Educational Systems Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion these consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Disclaimer of Opinion**

As described in Note 2 to the consolidated financial statements, the Group incurred net losses from continuing operations and discontinued operation of approximately RMB671,919,000 and RMB2,451,711,000 respectively, during the year ended 31 August 2021 and, as at that date, the Group had net current liabilities of approximately RMB600,751,000. The Group's total secured bank borrowings amounted to approximately RMB2,628,583,000 as at 31 August 2021, out of which RMB2,547,183,000 will be due for repayment within twelve months from 31 August 2021; while its cash and cash equivalents amounted to approximately RMB739,477,000 as at 31 August 2021. These conditions, together with other matters described in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, as set out in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties including (i) whether the breached loan covenants can be waived in the current facility agreement; (ii) whether a new bank loan of approximately RMB1,442,000,000 can be obtained as soon as practicable to replace the existing loan with loan covenants that have been breached; (iii) the future development and interpretation of the implementation regulations of the People's Republic of China regarding the promotion of private education and (iv) the COVID situation.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the consolidated financial statements.

Given the execution of the plans and measures by the Group involving multiple uncertainties and the possible cumulative effect thereof, we disclaim our opinion in respect of the year ended 31 August 2021.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

### **Compliance with the Corporate Governance Code**

During the year ended 31 August 2021 and up to the date of this announcement, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should not be performed by the same individual. Mr. Shu Liang Sherman Jen performs the dual roles of both chairman and CEO. The Board believes that by vesting the roles of both chairman and CEO in the same person, the Company derives the benefit of ensuring consistent leadership within the Group, which in turn enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices within the Company.

## **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2021.

## **Purchase, Sale or Redemption of the Company’s Listed Securities**

During the year ended 31 August 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **Final Dividend**

The Board did not recommend the payment of a final dividend for the year ended 31 August 2021.

## **Audit Committee**

The Company has established an Audit Committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Lap Tat Arthur Wong, Mr. Peter Humphrey Owen and Mr. Alan Shaver, all being independent non-executive Directors of the Company. Mr. Lap Tat Arthur Wong is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2021 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

## **Audit Committee’s view on the Audit Qualification**

The Audit Committee has reviewed the Audit Qualification and also the Management’s position and action plans of the Group to address the Audit Qualification. The Audit Committee is in agreement with the Management with respect to the Audit Qualification and the Group’s ability to continue as a going concern, and in particular the action plans that have been in process and/or to be implemented by the Management or the Group. The Audit Committee’s views are based on (i) a review of (a) the Management’s action plans to address the Audit Qualification (and the assumption of successful and continued implementation), and (b) a review of the Group’s cash flow forecast which covers a period of not less than 12 months from the date of approval of the consolidated financial statements for the year ended 31 August 2021, and also (ii) discussions between the Audit Committee, the Auditor and the Management regarding the Audit Qualification. The Audit Committee is also of the view that the Management could continue its efforts in implementing the actions and measures set out in the action plan with the intention of removing the Audit Qualification in the next financial year.

## **Events after the Financial Year Ended 31 August 2021**

Up to the date of this announcement, the Group has no subsequent event after 31 August 2021 which required disclosure.

## **Publication of the Annual Results Announcement and Annual Report**

This annual results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.mapleleaf.cn](http://www.mapleleaf.cn). The annual report of the Group for the year ended 31 August 2021 will be despatched to the Shareholders of the Company and made available for review on the aforesaid websites in due course.

## **RESUMPTION OF TRADING**

Trading in the Shares (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 December 2021. Application has been made by the Company to the Stock Exchange for the resumption of the trading in the Shares (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) with effect from 9:00 a.m. on 14 December 2021.

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

Hong Kong, 13 December 2021

*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*