

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

The board (“**Board**”) of directors (“**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**” or “**Maple Leaf**”, 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 2022.

KEY FINANCIAL HIGHLIGHTS

	Year ended 31 August		Percentage Change
	2022 RMB'000	2021 RMB'000	
Continuing operations			
Revenue	989,795	941,015	+5.2%
PRC	431,140	369,546	+16.7%
Overseas	558,655	571,469	-2.2%
Gross Profit	426,253	415,750	+2.5%
Profit/(loss) for the year	57,125	(671,919)	+108.5%
Adjusted Net Profit (<i>Note</i>)	45,516	609,968	-92.5%

Note:

The Adjusted Net Profit for the year ended 31 August 2022 is calculated as profit for the year, taking into account (i) the 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; and (v) dividend income from financial assets at fair value through profit or loss; (vi) gain on disposal of investment property; (vii) gain on bargain purchase of acquisition of Xi'an Maple Leaf School* (西咸新區空港楓葉學校) (“**Xi'an School**”); and (viii) compensation of Hong Kong Zhixin Financial News Agency Ltd. (“**Zhixin**”) case (the “**Zhixin Case**”). 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 ("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 ("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	
	2022	2021
	(RMB'000)	(RMB'000)
Profit/(loss)for the year from continuing operations	57,125	(671,919)
Add: Profit from discontinued operations	–	453,837
Amortisation of other intangible assets and depreciation of properties arising from acquisition (including discontinued operations)	80,457	80,519
Change in fair value of the Convertible Bonds	(26,352)	(52,737)
Share-based payments(including discontinued operations)	7,501	8,570
Change in fair value of contingent consideration	(24,139)	(1,420)
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	(578)	(541)
One-off impairment loss recognized in respect of		
– property, plant and equipment	–	545,230
– goodwill	–	199,215
– right-of-use assets	–	46,798
– other intangible assets	–	2,416
Gain on disposal of investment property	(74,674)	–
Gain on bargain purchase of acquisition of Xi'an School	(73,029)	–
Compensation of Zhixin Case	99,205	–
Adjusted Net Profit for the year	45,516	609,968

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Market Position

With over 28 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. We also operate international schools in Malaysia, Singapore and Canada.

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, benchmarked by ECCTIS (operator of UK ENIC), and accredited by Cognia. As of 31 August 2022, we have received official support letters from 113 universities in 12 countries and have successfully promoted World School Program in domestic universities in China. At the end of March 2023, ECCTIS completed the benchmarking of the World School Program which marks that the World School Program has become globally certified course after A-Level and International Baccalaureate (“**IB**”) programs, and has filled the gap in China's international education program.

World School Program is in line with the national strategy in education, namely, Opinions of Eight Government Departments Including the Ministry of Education on Accelerating and Expanding the Opening-up of Education in the New Era* (《教育部等八部門關於加快和擴大新時代教育對外開放的意見》) issued by the Ministry of Education in June 2020.

Our high schools in China provide World School Program at the commencement of the 2020/2021 school year. The unique programs and systems are designed to cultivate elite talents with a global perspective and proficiency in Chinese culture and wisdom. The combination of “Chinese language curriculum” and “English academic curriculum” is a set of “curricula for Chinese plus high school subjects” which happens to be suitable for international students in China and students around the globe preparing for undergraduate study in China from a multidimensional perspective.

The Group relocated its headquarters to Shenzhen in March 2021. Shenzhen headquarters was officially launched at the commencement of 2022/2023 school year. The relocation of the Group's headquarters to Shenzhen is a strategic move intended to bolster the Group's further development and 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 strengthen its ability 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.

* For identification purpose only

Our overseas school, Kingsley International School (“**KIS**”) offers A-Level program from preschool to Year 12 (“**K-12**”) students in Malaysia. KIS targets mainly local as well as international students primarily from Asian countries. Canadian International School (“**CIS**”) offers IB curriculum for K-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 2021/2022 school year, 1,848 Maple Leaf high school students of the class of 2022 (“**Class 2022 Students**”) received over 7,353 offer letters from universities in 15 countries. Moreover, 196 of our Class 2022 Students received offer letters from Quacquarelli Symonds (“**QS**”) Top 10 universities including prestigious University College London and Imperial College London in the United Kingdom. In addition, 1,596 students, approximately 86.3% of our Class 2022 Students, received at least one offer letter from the Maple Leaf Educational Systems Global Top 100 universities.

In April 2023, the Group entered into agreement with Arizona State University (“**ASU**”) to facilitate ASU’s delivery of two first-year higher education experiences, including the New College of Interdisciplinary Arts and Sciences focusing on Humanities and on Mathematics and Sciences, for Maple Leaf graduates in the PRC (the “**1+3 Program**”). The 1+3 Program was welcomed by Maple Leaf graduates, as at the date of this announcement, we have enrolled 14 Maple Leaf students.

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. Since then, Maple Leaf has been offering domestic and international “Dual Graduation Exit” to its high school students for pursuing higher education.

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, Maple Leaf has held annual university and college recruitment fairs on our campuses mainly for overseas participants since November 2005. In March 2022, the first domestic universities and colleges recruitment fair was held online. 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 the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China* (《中華人民共和國民辦教育促進法實施條例》) (“**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-established 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 in the PRC. As local governments have not yet issued corresponding classifications management regulations and rules for the Implementation Regulations, there are uncertainties concerning the validity and enforceability of the contractual arrangements between the Group and the 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 (“**Affected Schools**”) and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on 1 September 2021. Consequently, the Affected Schools were deconsolidated from the consolidated financial statements of the Company for the year ended 31 August 2021. Please refer to the 2021 annual report of the Company for further details of the deconsolidation of the Affected Schools.

* *For identification purpose only*

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 (“**Mixed High Schools**”) to high schools that have their own operating licences in the PRC (“**Independent High Schools**”) and making registration and filings with the relevant local government departments in the PRC for individual operating licences for the eight Mixed High Schools. Xi’an School obtained a private school operating license as an Independent High School and a registration certificate for private non-enterprise entities to operate as the Independent High School in August 2022 and January 2023 respectively. The financial positions of Xi’an School were re-consolidated with the Group as at 10 August 2022. The Group has also registered four for-profit preschools in Dalian, China for the year ended 31 August 2022 and one preschool in Chongqing, China at the commencement of the 2022/2023 school year.

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 in China. 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, both the national and the local governments have not yet issued corresponding classification management regulations and rules for the Implementation Regulations. We will continue to monitor the implementation of the Implementation Regulations in different regions and continue to assess its subsequent impact on the Company and will make further announcement(s) as and when appropriate.

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 2021/2022 school year. Before the opening of schools, Maple Leaf has thoroughly cleaned and disinfected all campuses and ensured that various pandemic prevention supplies were sufficient to improve campus safety and safeguard the health and safety of all students and employees. For the year ended 31 August 2022, as small scale of Covid-19 outbreak took place in different areas in China from time to time, we provided mixed mode of learning classes comprising face-to-face and online teaching during this period.

Our overseas school, KIS targets both local students and international students. CIS targets expatriate families employed in Singapore as well as international students. For the year ended 31 August 2022, 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. Two overseas schools were temporarily closed, including a high school in Australia and a high school in Canada due to the tight travel restrictions and visa conditions. With the widespread vaccination and the stabilisation of the pandemic, overseas countries have gradually lifted travel restrictions and relaxed visa conditions, which will increase the student enrolment in our overseas schools, and benefit both domestic and overseas Maple Leaf schools.

Suspension of trading and Resumption Guidance

On 13 May 2022, the Company received a letter from the former auditor of the Company (“**Letter**”) regarding significant matters in relation to certain transactions of the Group (“**Relevant Matters**”) identified during the course of its review of the unaudited interim results for the six months ended 28 February 2022 (“**2022 Interim Results**”). Trading in the shares of the Company (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) has been suspended with effect from 9:00 a.m. on 3 May 2022 due to the delay in publication of the Interim Results.

On 27 May 2022, the Company was notified by the Stock Exchange of the following resumption guidance (“**Resumption Guidance**”) for the Company: (i) publish all outstanding financial results required under the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and address any audit modifications; (ii) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; (iii) conduct an appropriate independent forensic investigation into the matters identified in the Letter, announce the findings and take appropriate remedial actions; (iv) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company’s management and operations, which may pose a risk to investors and damage market confidence; (v) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and (vi) announce all material information for the Shareholders and investors to appraise its position.

The Company has been working closely with the professional parties to fulfill the Resumption Guidance and to achieve resumption of trading of the shares as soon as practicable. Updates on the progress of the fulfillment of the Resumption Guidance and actions taken by the Company have been set out in the quarterly update announcements published by the Company and under the section headed “Subsequent Events after the Reporting Period” in this announcement.

Amidst the challenges brought forth by the Implementation Regulations, the pandemic and the suspension of trading of the securities of the Company, the Group has been using its best endeavours to maintain our business operations and achieve resumption of trading as soon as practicable.

BUSINESS REVIEW

The Group offers high-quality and bilingual education in the PRC under Maple Leaf brand and in southeast Asia under CIS and KIS brands. In addition to the provision of academic education service, we also develop education industry chain business including, sales of ancillary products and provision of catering service to our students.

Student Enrolment

	2021/2022	At the end of school year		
		% of Total	2020/2021 (Restated*)	% of Total
PRC				
High schools	2,737	30.0	2,963	33.8
Preschools	2,021	22.1	1,425	16.2
Foreign national schools	266	2.9	270	3.1
	<u>5,024</u>	<u>55.0</u>	<u>4,658</u>	<u>53.1</u>
Overseas				
High schools	610	6.7	520	5.9
Middle schools	1,092	12.0	1,044	11.9
Elementary schools	1,946	21.3	2,085	23.8
Preschools	458	5.0	466	5.3
	<u>4,106</u>	<u>45.0</u>	<u>4,115</u>	<u>46.9</u>
Total number of students enrolled	<u>9,130</u>	<u>100</u>	<u>8,773</u>	<u>100</u>

* The number of students enrolled at the end of 2020/2021 school year was restated to reflect the deconsolidation of the Affected Schools since 31 August 2021 due to the Implementation Regulations.

The total number of students enrolled increased by 357 or 4.1% from 8,773 at the end of the 2020/2021 school year to 9,130 at the end of the 2021/2022 school year, which was primarily due to the improvement of enrolment in 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:

	As at 31 August	
	2022	2021 (Restated*)
PRC		
High schools	6	4
Preschools	12	9
Foreign national schools	3	3
	<hr/>	<hr/>
	21	16
Overseas		
High schools	4	6
Middle schools	2	2
Elementary schools	3	3
Preschools	2	2
	<hr/>	<hr/>
	11	13
	<hr/>	<hr/>
Total	32	29
	<hr/>	<hr/>

* The number of the Group's schools as at 31 August 2021 was restated to reflect the deconsolidation of the Affected Schools since 31 August 2021 due to the Implementation Regulations.

As at 31 August 2022, three preschools and two high schools were added to the Group's school network in China. Two overseas schools were temporarily closed, including a high school in Australia and a high school in Canada due to the tight travel restrictions and visa conditions implemented in these countries as a result of the Covid-19 pandemic. The Group will assess the possibility to re-open these schools when the pandemic ends and market conditions improve within one or two years.

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 globally 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 (“**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. As at 31 August 2022, the Group employed 293 IB certified teachers (as at 31 August 2021: 295 IB certified teachers).

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 in China. 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. Maple Leaf entered into a cooperation agreement and a memorandum of understanding with an education and technology company in Beijing to strategically cooperate in online education.

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. The Group launched a pilot canteen which provides dine-in and take-away catering services to the public in June 2023 in Shenzhen, the PRC. This is a one-stop small group meal customized catering brand and we plan to develop it to become a catering service platform serving tens of thousands of urban elites in the future. We strive to forge Maple Leaf brand to a professional catering and professional uniforms brand and generate additional income for the Group.

Standard Implementation Strategy

Under the Standard Implementation Strategy, during the Sixth Five-Year Plan period, the Group implemented the Maple Leaf World School Program in China, China's first internationally accredited curriculum with self-developed intellectual property, at the commencement of 2020/2021 school year. 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 has been benchmarked by ECCTIS and has acquired accreditation from Cognia – 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.

At the end of March 2023 UKENIC completed its benchmarking against the UK A-Levels and Canadian British Columbia (“**BC**”) Programs and US New York State before the end of 2022/2023 school year which marks the World School Program has become globally certified course after A-Level and IB programs, and has filled the gap in China's international education program. The Group's first batch of graduates from the World School Program received Maple Leaf High School Graduation Diplomas in June 2023, endorsed by Cognia.

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 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 student enrolment, increasing tuition fee rate, 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 ("**Subscription Agreement**") with UBS AG Hong Kong Branch ("**Manager**"), under which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds ("**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 placees (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 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. Among the total net proceeds from the issuance of the Convertible Bonds, the Company intended to use the net proceeds for the repayment of existing borrowings as to approximately US\$119.0 million and, acquisitions related expenses and general corporate purposes as to approximately US\$4.1 million.

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 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.

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 2022, all the proceeds had been applied for the repayment of the existing borrowings, as to approximately US\$119.0 million, and general corporate purposes as to approximately US\$4.1 million. The net proceeds from the issuance of the Convertible Bonds were used according to the intentions previously disclosed by the Company. For the year ended 31 August 2022, 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 2022, 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 2022 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 being diluted by approximately 11.36%.

First occurrence of the relevant event on 23 May 2022

As disclosed in the announcement of the Company dated 1 June 2022, a relevant event (“**Applicable Relevant Event**”) occurred on 23 May 2022 on the basis that, the Shares has been suspended from trading on the Stock Exchange for a period equal to or exceeding 14 consecutive trading days. On 1 June 2022, a notice in relation to the occurrence of the Applicable Relevant Event was given by the Company to the Bondholders, regarding the Bondholders’ right under Condition 8(E) (Redemption for Relevant Event) of the Bond Conditions to require the Company to redeem all or some of each such holder’s convertible Bonds on the Relevant Event Redemption Date at the Early Redemption Amount together with interest accrued but unpaid to (but excluding) such date, by delivering a Relevant Event Redemption Notice to the Paying Agent in accordance with the Bond Conditions.

As disclosed in the announcement of the Company dated 5 October 2022, notwithstanding the occurrence of the Applicable Relevant Event, on 15 August 2022, the Consenting Bondholders entered into the First Standstill Agreement which set out, among other things, the parties’ in-principle agreement to implement and otherwise give effect to the original “Proposal” as defined in the notice of meeting from the Company to the Bondholders dated 1 September 2022. The First Standstill Agreement was automatically terminated in accordance with its terms on 14 September 2022, following which the Company and the Consenting Bondholders entered into further negotiations, including in relation to the Escrow Agreement.

Please refer to the announcements of the Company dated 13 January 2021, 27 January 2021, 28 January 2021, 17 January 2022 and 1 June 2022 and the offering circular of the Company dated 22 January 2021 for further details. For the relevant events after the reporting period and the updates in relation to the Convertible Bonds, please refer to the section “Subsequent Events after the Reporting Period” of this announcement for further details.

CHANGE OF AUDITORS

Deloitte Touche Tohmatsu (“**Deloitte**”) has resigned as the auditor of the Company with effect from 25 March 2022 as the Company and Deloitte could not reach a mutual agreement in respect of the audit fee for the financial year ending 31 August 2022. With the recommendation of the Audit Committee, SHINEWING (HK) CPA Limited (“**SHINEWING**”) has been appointed as the auditor of the Company with effect from 8 April 2022 to fill the casual vacancy following the resignation of Deloitte and to hold office until conclusion of the next annual general meeting of the Company. Please refer to the announcement of the Company dated 8 April 2022 for further details.

SHINEWING resigned as the auditor of the Company with effect from 15 July 2022 as the Company and SHINEWING could not reach a consensus on a mutually acceptable timetable to complete the review of the 2022 Interim Results and the additional fees in relation to the additional procedures of SHINEWING, if any, to be performed in respect of the interim review. Zhonghui Anda CPA Limited (“**ZHONGHUI**”) has been appointed as the new auditor of the Company with effect from 25 July 2022 to fill the casual vacancy following the resignation of SHINEWING and to hold office until conclusion of the next annual general meeting of the Company. At the 2023 annual general meeting of the Company held on 28 February 2023 (“**AGM**”), ZHONGHUI was re-appointed as the auditor of the Company pursuant to an ordinary resolution passed at such meeting. Please refer to the announcements of the Company dated 18 July 2022 and 25 July 2022 for further details.

FINANCIAL REVIEW

Overview

The revenue of the Group from continuing operations was RMB989.8 million and RMB941.0 million for the year ended 31 August 2022 and 31 August 2021 respectively. The profit for the year ended 31 August 2022 from continuing operations was RMB57.1 million and the loss for the year ended 31 August 2021 from continuing operations was RMB671.9 million.

Revenue

The Group derives revenue from tuition and boarding fees from the Group’s high schools, middle schools, elementary schools, preschools and foreign national schools, summer and winter camps, sales of textbooks, sales of goods and materials, catering services and others.

The total revenue of the Group from continuing operations increased by RMB48.8 million, or 5.2%, from RMB941.0 million for the year ended 31 August 2021 to RMB989.8 million for the financial year ended 31 August 2022. The increase in revenue was primary due to the provision of catering services in China. Amongst the revenue of the Group for the year ended 31 August 2022, RMB431.1 million (approximately 43.6%) was contributed by the operations in the PRC, and RMB558.7 million (approximately 56.4%) was contributed by the operations overseas.

Cost of Revenue

The Group's cost of revenue primarily consists of (i) staff costs; (ii) depreciation and amortisation; and (iii) other costs. Cost of revenue increased by RMB38.2 million, or 7.3%, from RMB525.3 million for the year ended 31 August 2021 to RMB563.5 million for the financial year ended 31 August 2022. The increase was largely due to the increase in catering service related costs as a result of the additional provision of catering services in Maple Leaf schools in the PRC.

Gross Profit and Gross Profit Margin

Gross profit increased by 2.5% from RMB415.8 million for the year ended 31 August 2021 to RMB426.3 million for the year ended 31 August 2022. Gross profit margin decreased slightly from 44.2% for the financial year ended 31 August 2021 to 43.1% for the year ended 31 August 2022, primarily due to the lower gross profit generated by CIS as a result of the increase in amortization cost in intangible assets.

Investment and Other Income

Investment and other income consist mainly of (i) interest income from our bank deposits, (ii) gain on disposal of investment property, (iii) rental income from investment properties, and (iv) government grants. Investment and other income increased by 84.5% from RMB76.0 million for the financial year ended 31 August 2021 to RMB140.2 million for the financial year ended 31 August 2022. Bank interest income decreased by 18.3% from RMB40.4 million for the year ended 31 August 2021 to RMB33.0 million for the year ended 31 August 2022. Gain on disposal of investment property was RMB74.7 million for the financial year ended 31 August 2022, and no disposal of investment property occurred for the financial year ended 31 August 2021.

For the financial year ended 31 August 2022, government grants decreased by 48.2% from RMB19.1 million for the year ended 31 August 2021 to RMB9.9 million for the year ended 31 August 2022.

Other Gains and Losses

Other gains and losses consist primarily of (i) net foreign exchange gain/loss; (ii) changes in fair value of the Convertible Bonds, (iii) changes in fair value of contingent consideration, (iv) compensation of Zhixin Case, (v) gain on bargain purchase of acquisition of Xi'an School, (vi) reversal of other payables, gain/loss on disposal of property, plant and equipment, and (vii) impairment loss on property, plant and equipment, goodwill, right-of-use assets and other intangible assets. Other gains and losses changed from a loss of RMB736.6 million for the year ended 31 August 2021 to a gain of RMB23.9 million for the year ended 31 August 2022. The change from a loss to a gain was mainly attributable to one-off impairment loss on property, plant and equipment, goodwill, right-of-use assets and other intangible assets being RMB793.7 million for the year ended 31 August 2021, while no impairment loss for the year ended 31 August 2022.

Marketing Expenses

Marketing expenses consist mainly of (i) commercials and expenses for producing, printing and distributing advertising and promotional materials; and (ii) salaries and benefits for personnel engaged in selling and marketing activities. Marketing expenses decreased by 10.8% from RMB15.7 million for the financial year ended 31 August 2021 to RMB14.0 million for the year ended 31 August 2022. Marketing expenses as a percentage of revenue decreased from 1.7% for the year ended 31 August 2021 to 1.4% for the year ended 31 August 2022, primarily due to CIS incurring less marketing, advertising and promotional expenses for the year ended 31 August 2022 as a result of pandemic of Covid-19.

Administrative Expenses

Administrative expenses consist primarily of (i) salaries and other benefits for general and administrative staff; (ii) depreciation of property, plant and equipment and right-of-use assets; (iii) amortization of intangible assets; (iv) employee share-based payments; and (v) certain professional expenses. Administrative expenses increased by 14.2% from RMB250.7 million for the year ended 31 August 2021 to RMB286.4 million for the year ended 31 August 2022, mainly due to the increase in administrative expenses in CIS.

Finance Costs

For the year ended 31 August 2022, finance costs mainly represented (i) interest expenses for secured bank borrowings and other borrowings, and (ii) interest expenses for the Convertible Bonds. Finance costs increased from RMB116.3 million for the year ended 31 August 2021 to RMB206.2 million for the year ended 31 August 2022 primarily due to the increase in interest expenses for secured bank borrowings and other borrowings for the year ended 31 August 2022.

Profit/(Loss) before Taxation

The Group recorded a profit before taxation of RMB84.1 million for the year ended 31 August 2022, compared to a loss before taxation for its continuing operations of RMB625.8 million for the year ended 31 August 2021. Profit before taxation as a percentage of revenue of the Group was 8.5% for the year ended 31 August 2022 and loss before taxation for its continuing operations as a percentage of revenue of the Group was 66.5% for the year ended 31 August 2021. Amongst the profit before taxation for the year ended 31 August 2022, before allocating Director's and chief executive's fee and headquarter expenses, RMB21.8 million was contributed by the operations in the PRC, and RMB97.0 million was contributed by the operations overseas.

Taxation

Income tax expense of the Group decreased from RMB46.1 million for the year ended 31 August 2021 to RMB27.0 million for the year ended 31 August 2022, mainly due to the recognition of deferred tax assets of RMB20.7 million, partially set-off with the under-provision of tax of RMB6.6 million in prior years.

Profit/(Loss) for the Year

As a result of the above factors, the Group reported a turnaround from a loss of RMB671.9 million for the year ended 31 August 2021 from continuing operations to a profit of RMB57.1 million for the year ended 31 August 2022.

Capital Expenditures

For the year ended 31 August 2022, the Group paid RMB351.8 million primarily related to the construction of new buildings in Shenzhen headquarters and Hainan and campus expansion of CIS. For the year ended 31 August 2021, the Group paid RMB122.3 million primarily related to the construction of new buildings in Shenzhen headquarters and Wuhan and campus expansion of CIS.

Liquidity, Financial Resources and Capital Structure

As at 31 August 2022, the Group's bank balances and cash amounted to RMB805.9 million, which were mainly denominated in United States dollars ("USD") and Singapore dollars ("SGD"). Bank balances and cash was RMB739.5 million as at 31 August 2021. Net cash used in financing activities amounted to RMB2,053.6 million, which were primarily due to the repayment of bank borrowings by the Group during the year ended 31 August 2022.

As at 31 August 2022, the Group's bank borrowings were RMB763.1 million which were mainly denominated in SGD and Malaysian Ringgit ("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. The Group's bank borrowings as at 31 August 2022, 90.6% will be mature within one year or on demand and the remaining will be mature after one year. These bank borrowings were secured by the Group's certain of bank deposits and properties.

As at 31 August 2022, the Convertible Bonds issued by the Company in an aggregate principal amount of USD125.0 million originally 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.

For the relevant events after the reporting period and the updates in relation to the Convertible Bonds, please refer to the section “Subsequent Events after the Reporting Period” of this announcement for further details.

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 decreased from 2.44 for the year ended 31 August 2021 to 1.06 for the year ended 31 August 2022 primarily due to the repayment of bank borrowings by the Group during the year.

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, Canadian dollars (“CAD”), MYR and SGD. As at 31 August 2022, 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.

Zhixin Case

On 15 November 2016, the Company received a writ of summons from Zhixin seeking among other things, specific performance of the consultancy agreement (“**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. On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region (“**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 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 Court for the Zhixin Case was fixed on 16 May 2022.

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

As at 31 August 2021, the Company had not made any provision in respect of the Zhixin Case, in view of the uncertainty of the outcome of the Judgment. The Company disclosed contingent liabilities in respect of Zhixin Case for the year ended 31 August 2021.

In late August 2022, the Company received the judgment on the Zhixin Case (“**Judgment**”) dated 31 August 2022 from the Court. For details of the Judgment, please refer to the announcement of the Company dated 5 September 2022.

Pursuant to the Judgment, it was ruled in favour of Zhixin and held that, among others, (1) the Company was ordered to pay damages in the amount of HK\$70,840,000 together with interest; (2) the counterclaims of the Company for misrepresentation, declaratory relief and/or restitution against Zhixin were dismissed; and (3) a costs order nisi was made that costs of the proceedings be paid by the Company to Zhixin, with certificate for two counsel, to be taxed if not agreed. Subsequent to the end of the reporting period, the Court made a further order on 23 September 2022 (“**Order of 23 September 2022**”) in relation to the amount payable in connection with the proceedings of the Zhixin Case. In accordance with the Order of 23 September 2022, the sum paid into court by the Company of approximately HK\$17.6 million were paid out forthwith to Zhixin in part satisfaction of the judgment sum in November 2022. Subsequently, Zhixin and the Company reached an agreement to settle all sums payable in connection with the Judgment and the Order of 23 September 2022 (“**Settlement**”). On 5 January 2023, in light of the Settlement reached by the parties, Zhixin and the Company jointly applied to the Court for an order to stay the enforcement of the Judgment and the Order of 23 September 2022. Pursuant to the terms of the Settlement, on 6 January 2023, a settlement sum of approximately HK\$100.6 million was paid by the Company to Zhixin (which has acknowledged receipt of such payment) to fully settle the Company of its payment obligations owed to Zhixin in respect of the Judgment inclusive of damages, costs and interests as set out in the Judgment and the Order of 23 September 2022. On 25 May 2023, the Court made an order that the full payment of approximately HK\$100.6 million paid by the Company on 6 January 2023 shall fully settle the Company’s outstanding payment obligations owed to Zhixin in respect of the judgment sum inclusive of damages, costs and accrued interests as set out in the Judgment and the Order of 23 September 2023.

Pledge of Assets

As at 31 August 2022, the Group pledged debt service reserve account, certain properties and shares of the offshore Group to certain licenced banks for certain banking facilities.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this announcement, the Group does not have other plans for material investments and capital assets.

Material Acquisition and Disposal

Major transaction in relation to the disposal of property

On 3 March 2022, Maple Leaf Education Hillside Pte. Ltd. (“**Vendor**”), an indirect wholly-owned subsidiary of the Company, and NPS International School Pte. Ltd. (“**Purchaser**”), an independent third party, entered into the sale and purchase agreement (“**Disposal Agreement**”), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Property (as defined below) at the consideration of S\$80,000,000 (equivalent to approximately HK\$460,160,000). On 13 May 2022, the Vendor and the Purchaser entered into a supplemental agreement to amend, among other matters, a condition precedent to the Disposal Agreement to the effect that the deadline for the Company to obtain the approval of its Shareholders to the Vendor entering into the Disposal Agreement, the sale of the Property by the Vendor to the Purchaser and all other transactions contemplated under the Disposal Agreement shall be extended to 13 July 2022, or such other date as may be agreed in writing between the Vendor and the Purchaser.

The property (being the Land (as defined below) and the building(s) and structure(s) erected on the Land and where the context so admits, means any part thereof, collectively the “**Property**”) comprises (i) the piece of land being the whole of Lot 99180L of Mukim 22 and situated at 11 Hillside Drive Singapore 548926 (the “**Land**”), with a total site area of about 7,568.6 sq.m. for school use; (ii) four blocks of buildings of one to two storeys erected on the Land; and (iii) other improvements, including outdoor deck, basketball court, mini-football playing area and landscape pond, etc. The Property currently comprises approximately 30 classrooms including a music studio, science labs and arts studios as well as a multi-purpose hall, self study room and design and technology room.

The Property was leased to Hillside World Academy Pte. Ltd. (the “**Tenant**”), an independent third party K-12 school operator. The Property was sold subject to a tenancy agreement dated 8 October 2020 entered into between the Vendor and the Tenant in respect of the Property, which expired on 30 June 2022. In the event the Property or any part thereof fell vacant on or before completion of the disposal of the Property (the “**Completion**”) or 1 July 2022, whichever was the earlier, by reason of expiry or termination of the tenancy or forfeiture or otherwise, the Purchaser shall accept and the Vendor shall deliver vacant possession of the Property or any part thereof to the Purchaser on Completion or on 1 July 2022, whichever was the earlier, without any abatement, compensation or deduction whatsoever.

The disposal of the Property constituted a major transaction for the Company under Chapter 14 of the Listing Rules.

On 13 May 2022, the Vendor and the Purchaser entered into a supplemental agreement to the Disposal Agreement, pursuant to which it was agreed that (1) the deadline for the Company to obtain the Shareholders’ approval shall be extended to 13 July 2022, or such other date as may be agreed in writing between the Vendor and the Purchaser; and (2) in the event the Property or any part thereof fell vacant on or before Completion or 1 July 2022, whichever was the earlier, by reason of expiry or termination of the tenancy or forfeiture or otherwise, the Purchaser shall accept and the Vendor shall deliver vacant possession of the Property or any part thereof to the Purchaser on Completion or on 1 July 2022, whichever was the earlier, without any abatement, compensation or deduction whatsoever.

At the extraordinary general meeting of the Company held on 13 July 2022, a resolution to approve, confirm and ratify the Disposal Agreement was duly passed by way of poll.

All the conditions precedent set out in the Disposal Agreement were fulfilled and Completion took place on 28 July 2022 in accordance with the terms and conditions of the Disposal Agreement.

Please refer to the announcements of the Company dated 3 March 2022, 13 May 2022, 13 July 2022 and 28 July 2022 and the circular of the Company dated 24 June 2022 for further details.

Save as disclosed in this announcement, the Group had no other material acquisition and disposal during the year ended 31 August 2022.

Significant Investment Held

As at 31 August 2022, no significant investment was held by the Group.

Employee Benefits

As at 31 August 2022, the Group had 1,873 (as at 31 August 2021: 1,890) full-time employees. 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. Total employees' remuneration (including directors' remuneration) for the year ended 31 August 2022 amounted to RMB440.6 million (for the year ended 31 August 2021: RMB425.7 million).

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 the 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 2022

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Continuing operations			
Revenue	4	989,795	941,015
Cost of revenue		(563,542)	(525,265)
		<hr/>	<hr/>
Gross profit		426,253	415,750
Investment and other income	5	140,242	76,010
Other gains and losses	6	23,856	(736,628)
Impairment losses under expected credit loss model, net of reversal		364	1,765
Marketing expenses		(13,963)	(15,716)
Administrative expenses		(286,422)	(250,725)
Finance costs		(206,190)	(116,271)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAXATION		84,140	(625,815)
Taxation	7	(27,015)	(46,104)
		<hr/>	<hr/>
Profit/(loss) for the year from continuing operations		57,125	(671,919)
Discontinued operations			
Loss for the year from discontinued operations	8	–	(2,451,711)
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE YEAR	9	57,125	(3,123,630)
Other comprehensive income/(expense):			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		3,330	(31,326)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		60,455	(3,154,956)
		<hr/>	<hr/>

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit/(loss) for the year attributable to owners of the Company:			
– from continuing operations		57,125	(671,919)
– from discontinued operations		–	(2,455,712)
		<hr/>	<hr/>
Profit/(loss) for the year attributable to owners of the Company		57,125	(3,127,631)
		<hr/>	<hr/>
Profit for the year attributable to non-controlling interests:			
– from continuing operations		–	–
– from discontinued operations		–	4,001
		<hr/>	<hr/>
Profit/(loss) for the year attributable to non-controlling interests		57,125	(3,123,630)
		<hr/>	<hr/>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		60,455	(3,158,957)
Non-controlling interests		–	4,001
		<hr/>	<hr/>
		60,455	(3,154,956)
		<hr/>	<hr/>
EARNINGS/(LOSS) PER SHARE	<i>11</i>		
From continuing and discontinued operations			
– basic (<i>RMB cents</i>)		1.92	(105.27)
		<hr/>	<hr/>
– diluted (<i>RMB cents</i>)		1.47	(105.27)
		<hr/>	<hr/>
From continuing operations			
– basic (<i>RMB cents</i>)		1.92	(22.62)
		<hr/>	<hr/>
– diluted (<i>RMB cents</i>)		1.47	(22.62)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2022

	<i>NOTES</i>	As at 31 August 2022 <i>RMB'000</i>	As at 31 August 2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,285,196	2,002,303
Right-of-use assets		80,992	84,738
Investment properties		17,748	328,876
Goodwill	<i>12</i>	1,949,551	1,896,803
Other intangible assets	<i>13</i>	803,961	863,515
Prepayments for acquisition of property and equipment		1,780	3,477
Books for lease		652	388
Deferred tax assets		20,704	–
		5,160,584	5,180,100
CURRENT ASSETS			
Inventories		13,968	16,896
Deposits, prepayments, trade and other receivables	<i>14</i>	99,546	91,567
Financial assets at fair value through profit or loss		31,705	8,274
Pledged bank deposits		–	1,548,151
Bank balances and cash	<i>15</i>	805,876	739,477
Amount due from related parties		245,103	296,757
		1,196,198	2,701,122
CURRENT LIABILITIES			
Contract liabilities	<i>16</i>	501,550	441,673
Other payables and accrued expenses	<i>17</i>	412,627	208,158
Lease liabilities		9,352	9,388
Income tax payable		82,405	89,418
Borrowings	<i>18</i>	691,592	2,547,183
Consideration payable	<i>19</i>	219,591	–
Convertible bonds	<i>20</i>	506,131	–
Amount due to related parties		40,223	6,053
		2,463,471	3,301,873
NET CURRENT LIABILITIES		(1,267,273)	(600,751)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,893,311	4,579,349

	<i>NOTES</i>	As at 31 August 2022 RMB'000	As at 31 August 2021 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		242,738	255,820
Borrowings	<i>18</i>	71,544	81,400
Lease liabilities		8,701	9,430
Convertible bonds	<i>20</i>	272,532	753,665
Consideration payable		–	204,005
Contingent consideration		–	24,178
Amount due to related parties		1,840,983	1,861,994
		<u>2,436,498</u>	<u>3,190,492</u>
NET ASSETS		<u>1,456,813</u>	<u>1,388,857</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		9,309	9,309
Reserves		1,447,504	1,379,548
		<u>1,456,813</u>	<u>1,388,857</u>
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u>1,456,813</u>	<u>1,388,857</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022

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. 13 Baolong First Road, 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 World School Program and bilingual education mainly within the PRC and Southeast Asia.

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

2. GOING CONCERN BASIS

As of 31 August 2022, the Group had net current liabilities of approximately RMB1,267,273,000. The Group’s total secured bank borrowings and convertible bonds amounted to approximately RMB763,136,000 and RMB778,663,000 respectively as of 31 August 2022; while its cash and cash equivalents amounted to approximately RMB805,876,000 as of 31 August 2022.

Subsequent to the end of the reporting period, borrowings amounting to SGD23,070,000, SGD243,228,000 and SGD39,640,000 (equivalent to approximately RMB107,275,000, RMB1,131,010,000 and RMB184,338,000, respectively), respectively, were fully settled.

Subsequent to the end of the reporting period, on 22 December 2022, Canadian International School Pte Ltd. (“**CIS**”), an indirectly wholly-owned subsidiary of the Company, entered into a new secured borrowing agreement amounted to USD143,000,000 (equivalent to approximately RMB1,036,750,000) (the “**New CIS Loan**”) for the principal purpose of repayment of the original borrowing amounted to SGD188,081,000 (equivalent to approximately RMB874,634,000) (the “**Original CIS Loan**”).

As of the date of this announcement, the aggregate outstanding principal amount of the convertible bonds in the book of the Company, as well as secured bank borrowings in the book of CIS, are USD75,000,000 (equivalent to approximately RMB543,750,000) (the “**Outstanding Bonds**”) after repayment of the principal amount of USD50,000,000 prior to the date of this announcement and the New CIS Loan of USD143,000,000 (equivalent to approximately RMB1,036,750,000) respectively.

Certain of the Outstanding Bonds amounted to USD31,250,000 (equivalent to approximately RMB226,563,000) were agreed to be repaid in January 2024, while the New CIS Loan is repayable in July 2024. The detailed information on the Outstanding Bonds and the New CIS Loan is illustrated in Notes 20 and 18 respectively to the consolidated financial statements.

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 considered that even in the very unlikely event that the New CIS Loan will default in the future, it will not affect the continuity of the business of the Company as well as the Group's PRC segment, as there is no corporate guarantee nor any other means of shares pledged on the Company or the PRC segments on the New CIS Loan. And even though the default of New CIS Loan will trigger a cross-default terms over the Outstanding Bonds, the Directors of the Company believe that the Group can raise and possess sufficient cash and cash equivalents for the repayment of the Outstanding Bonds in case the cross-default terms had been triggered.

In addition to the above, the Directors also have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including: (i) negotiating a new bank loan of SGD300,000,000 (equivalent to approximately RMB1,442,000,000) (the "**New Negotiating Loan**") to replace the New CIS Loan and repay the Outstanding Bonds; (ii) exercising the right to apply an extension of 12 months on the New CIS Loan in accordance with the New CIS Loan agreement which will be subjected to the approval from the lender of the New CIS Loan; (iii) remitting and maintaining sufficient offshore fund to repay the Outstanding Bonds from subsidiaries of the People's Republic of China (the "**PRC**"); (iv) in discussions with local government departments to comply with implementation regulations of the PRC for the law for promoting of private education (the "**Implementation Regulations**"); and (v) adjusting 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 assumptions that (i) the Group can raise and possess sufficient cash and cash equivalents for the repayment of the Outstanding Bonds; (ii) the above financing plan can be successfully completed; and (iii) no further rules and interpretation from the government will adversely affect the continuing operations.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the 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, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") that are relevant to its operations and effective for its accounting year beginning on 1 September 2021. IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the consolidated financial statements of the Group.

4. REVENUE AND OPERATING SEGMENTS

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, (iv) fees from overseas studies consulting services, sales of goods and educational materials to students, less refunds and sales related tax, and (v) catering services income.

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

(i) Disaggregation of revenue from contracts with customers from continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of goods or services		
Tuition and boarding fees	776,541	830,346
Summer and winter camps	2,662	974
Sales of textbooks	19,428	10,669
Sales of goods and materials	49,590	–
Catering services income	51,358	–
Others	90,216	99,026
	<u>989,795</u>	<u>941,015</u>
Timing of revenue recognition		
Over time	860,542	855,514
A point in time	129,253	85,501
	<u>989,795</u>	<u>941,015</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 interim period, discrete segment information is developed and reported to the CODM. Specifically, the Group's reportable segments under IFRS 8 are as follows:

- PRC Segment
- 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.

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 operations. The inter-company transactions were eliminated without any adjustments between the continuing operations and the discontinued operations for the year ended 31 August 2021.

Segment revenues and results

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

For the year ended 31 August 2022

Continuing operations

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
Revenue from external customers	<u>431,140</u>	<u>558,655</u>	<u>989,795</u>
Segment profit	<u>21,832</u>	<u>97,048</u>	118,880
Unallocated items:			
Directors' and chief executives' emoluments			(7,261)
Corporate administrative expense			<u>(27,479)</u>
Group's profit before income tax from continuing operations			<u>84,140</u>

For the year ended 31 August 2021

Continuing operations

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
Revenue from external customers	<u>369,546</u>	<u>571,469</u>	<u>941,015</u>
Segment loss	<u>(457,392)</u>	<u>(151,795)</u>	(609,187)
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>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss/profit represents the loss from/profit earned by each segment without allocation of corporate administrative expense and directors' and chief executives' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	At 31 August 2022 <i>RMB'000</i>	At 31 August 2021 <i>RMB'000</i>
Segment assets		
PRC Segment	2,177,186	3,746,200
Overseas Segment	4,179,596	4,135,022
Consolidated assets	<u>6,356,782</u>	<u>7,881,222</u>
Segment liabilities		
PRC Segment	3,238,569	4,454,681
Overseas Segment	1,661,400	2,037,684
Consolidated liabilities	<u>4,899,969</u>	<u>6,492,365</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 2022 and 2021.

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.

	Revenue from external customers		Non-current assets	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC	431,140	369,546	1,154,936	997,979
Singapore	517,085	523,875	3,481,454	3,720,103
Malaysia	38,686	38,253	453,917	389,876
Others	2,884	9,341	70,277	72,142
	<u>989,795</u>	<u>941,015</u>	<u>5,160,584</u>	<u>5,180,100</u>

5. INVESTMENT AND OTHER INCOME

Continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	33,018	40,417
Government grant	9,868	19,139
Rental income	14,573	12,920
Interest income from short-term loan to a third party	1,730	1,763
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	578	541
Gain on disposal of an investment property	74,674	–
Others	5,801	1,230
	<u>140,242</u>	<u>76,010</u>

6. OTHER GAINS AND LOSSES

Continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain arising from fair value changes of convertible bonds	26,352	52,737
Reversal of other payables	15,561	1,960
(Loss)/gain arising from changes in fair value of financial assets measured at FVTPL	(915)	111
Gain/(loss) on disposal of property, plant and equipment	16,232	(1,759)
Net foreign exchange loss	(23,904)	(450)
Gain arising from fair value changes of contingent consideration	24,139	1,420
Impairment loss recognised in respect of:		
– property, plant and equipment	–	(545,230)
– goodwill	–	(199,215)
– right-of-use assets (Leasehold land)	–	(46,798)
– other intangible assets	–	(2,416)
Gain on bargain purchase of a subsidiary	73,029	–
Compensation of Zhixin Case (<i>Note</i>)	(99,205)	–
Others	(7,433)	3,012
	<u>23,856</u>	<u>(736,628)</u>

Note:

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 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 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 now has 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 (the "**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.

The number of shares disclosed above has not considered the effect of the Share Subdivision that became effective on 9 July 2018.

In late August 2022, the Company received the judgment on the Zhixin Case ("**Judgment**") dated 31 August 2022 from the Court. Pursuant to the Judgment, it was ruled in favour of Zhixin and held that, among others, (1) the Company was ordered to pay damages in the amount of HK\$70,840,000 together with interest; (2) the counterclaims of the Company for misrepresentation, declaratory relief and/or restitution against Zhixin were dismissed; and (3) a costs order nisi was made that costs of the proceedings be paid by the Company to Zhixin, with certificate for two counsel, to be taxed if not agreed. The Court made a further order on 23 September 2022 ("**Order of 23 September 2022**") in relation to the amount payable in connection with the proceedings of the Zhixin Case. Subsequently, Zhixin and the Company reached an agreement to settle all sums payable in connection with the Judgment and the Order of 23 September 2022 ("**Settlement**"). On 5 January 2023, in light of the Settlement reached by the parties, Zhixin and the Company jointly applied to the Court for an order to stay the enforcement of the Judgment and the Order of 23 September 2022. Pursuant to the Settlement, on 6 January 2023, a settlement sum of approximately HK\$118.2 million (equivalent to RMB99,205,000) was partially covered by a deposit made to the Court, and the rest was paid by the Company to Zhixin (which has acknowledged receipt of such payment) to fully settle the Company of its payment obligations owed to Zhixin in respect of the Judgment inclusive of damages, costs and interests as set out in the Judgment and the Order of 23 September 2022. On 25 May 2023, the Court made an order that the full payment of approximately HK\$100.6 million paid by the Company on 6 January 2023 shall fully settle the Company's outstanding payment obligations owed to Zhixin in respect of the judgment sum inclusive of damages, costs and accrued interests as set out in the Judgment and the Order of 23 September 2023.

As of the day of this announcement, the compensation payable were settled.

7. TAXATION

Continuing operations

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Enterprise income tax (“EIT”)		
Provision for the year	56,165	62,118
Singapore enterprise income tax		
Provision for the year	2,402	–
Under-provision in prior years	6,648	–
Deferred tax	<u>(38,200)</u>	<u>(16,014)</u>
	<u>27,015</u>	<u>46,104</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit/(loss) before taxation	<u>84,140</u>	<u>(625,815)</u>
Tax at PRC EIT rate of 25%	21,035	(156,454)
Tax effect of preferential tax rate granted	(6,445)	(3,589)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	4,875	4,235
Tax effect of tax loss not recognised	5,705	13,667
Tax effect of deductible temporary differences not recognised	80	198,415
Tax effect of recognised and utilisation of deferred tax assets	(20,704)	–
Utilisation of tax loss previously not recognised	(5,710)	(5,149)
Tax effect of income not taxable for tax purposes	(49,821)	(53,507)
Tax effect of expenses not deductible for tax purposes	71,352	48,486
Tax expenses of under-provision in prior years	6,648	–
Tax charge for the year	<u>27,015</u>	<u>46,104</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 2022 and 2021. 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 HKD2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2,000,000 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 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 2022, non-taxable tuition income was RMB262,079,000 (2021: RMB214,028,000), and the related expense of RMB92,669,000 (2021: RMB98,082,000) was not deductible.

As at 31 August 2022, the Group had unused tax loss of RMB154,116,000 (2021: RMB143,099,000) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately RMB86,267,000 (2021: RMB Nil) of such losses. As at 31 August 2022, tax losses of RMB144,830,000 (2021: RMB133,813,000) will expire in various years before 2027 (2021: 2026).

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 RMB872,517,000 at 31 August 2022 (2021: RMB1,023,451,000) 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.

8. DISCONTINUED OPERATIONS

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 provide 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 decisions 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.

The Directors has assessed that each of the Affected Schools comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, therefore each of the Affected Schools is a CGU. The Directors classified 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 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.

	2021 RMB’000
Revenue	1,210,134
Cost of sales	<u>(618,820)</u>
Gross profit	591,314
Investment and other income	9,093
Other gains and losses	(478)
Marketing expenses	(22,473)
Administrative expenses	(115,350)
Finance costs	<u>(5,258)</u>
Profit before tax	456,848
Taxation	<u>(3,011)</u>
Profit for the year before loss on deconsolidation of Affected Schools	453,837
Loss on deconsolidation of Affected Schools	<u>(2,905,548)</u>
Loss for the year from discontinued operations	<u>(2,451,711)</u>

During the year ended 31 August 2021, the Affected Schools contributed approximately RMB473,618,000 to the Group’s net operating cash flows, paid approximately RMB66,788,000 in respect of investing activities and paid approximately RMB19,978,000 in respect of financing activities.

Analysis of assets and liabilities of the Affected School deconsolidated on 31 August 2021

	2021 <i>RMB'000</i>
Property, plant and equipment	1,218,880
Right-of-use assets	334,661
Goodwill	252,848
Other intangible assets	18,282
Prepayments paid for acquisition of property and equipment	1,155
Books for lease	387
Deposits, prepayments, trade and other receivables	33,905
Bank balances and cash	1,065,375
Amount due from related parties	1,868,047
Amount due to related parties	(296,757)
Contract liabilities	(978,402)
Other payables and accrued expenses	(284,841)
Lease liabilities	(161,538)
Income tax payable	(33,681)
Deferred tax liabilities	(44,381)
	<hr/>
Net assets disposed of	<u>2,993,940</u>
Net assets disposed of	(2,993,940)
Non-controlling interests	<u>88,392</u>
Loss on deconsolidation	<u>(2,905,548)</u>

9. PROFIT/(LOSS) FOR THE YEAR

Continuing operations

Profit/(Loss) for the period has been arrived at after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Staff costs, including directors' remuneration		
– salaries and other allowances	422,075	408,231
– retirement benefit scheme contributions	10,986	8,852
– share-based payments	7,501	8,570
	<u>440,562</u>	<u>425,653</u>
Total staff costs		
	<u>440,562</u>	<u>425,653</u>
Gross rental income from investment properties	(14,573)	(12,920)
Less:		
Direct operating expenses incurred for investment properties (included in administrative expenses)	1,314	1,120
	<u>(13,259)</u>	<u>(11,800)</u>
Net rental income		
	<u>(13,259)</u>	<u>(11,800)</u>
Impairment loss recognised in respect of		
– property, plant and equipment	–	545,230
– goodwill	–	199,215
– right-of-use assets (Leasehold land)	–	46,798
– other intangible assets	–	2,416
Depreciation of property, plant and equipment	84,432	79,854
Amortisation of intangible assets	85,474	65,366
Depreciation of right-of-use assets	18,819	11,605
Depreciation of investment properties	2,265	3,545
Auditors' remuneration	4,450	3,150
Amortization of books for lease	260	497
Gain arising from fair value changes of convertible bonds	(26,352)	(52,737)
Gain arising from fair value changes of contingent consideration	(24,139)	(1,420)
	<u>(24,139)</u>	<u>(1,420)</u>

10. DIVIDENDS

No dividend in respect of the year ended 31 August 2022 and 2021 has been proposed by the Directors.

11. EARNINGS/(LOSS) PER SHARE

For continuing operations

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

Earnings/(loss) figures are calculated as follows:

	Year ended 31 August	
	2022	2021
	RMB'000	RMB'000
Earnings/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	57,125	(671,919)
Interest expenses for convertible bonds	18,412	–
Gain arising from fair value changes of convertible bonds	(26,352)	–
	<u>49,185</u>	<u>(671,919)</u>

Number of shares:

	At 31 August	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	2,971,011	2,971,006
Effect of dilution		
<i>weighted average number of ordinary shares:</i>		
– Convertible bonds	383,881	–
	<u>3,354,892</u>	<u>2,971,006</u>

The number of shares adopted in the calculation of the basic earnings/(loss) per share for the years ended 31 August 2022 and 2021 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 2022 and 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 2022 and 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 computation of diluted loss per share for the year ended 31 August 2022 assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in gain per share.

From continuing and discontinued operations

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

Earnings/(loss) figures are calculated as follows:

	Year ended 31 August	
	2022 RMB'000	2021 RMB'000
Earnings/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	57,125	(3,127,631)
Interest expenses for Convertible bonds	18,412	–
Gain arising from fair value changes of convertible bonds	(26,352)	–
	<u>49,185</u>	<u>(3,127,631)</u>
Earnings/(loss) for the purpose of dilutive earnings/(loss) per share from continuing operations	<u>49,185</u>	<u>(3,127,631)</u>

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

From discontinued operations

For the year ended 31 August 2021, basic and diluted loss per share for the discontinued operations is RMB82.7 cents per share, based on the loss for the year from the discontinued operations of approximately RMB2,455,172,000 and the denominators detailed above for both basic and diluted loss per share.

12. GOODWILL

	2022 RMB'000	2021 RMB'000
COST AND CARRYING VALUES		
At 1 September	1,896,803	2,449,342
Deconsolidation	–	(252,848)
Impairment loss recognised in the year	–	(199,215)
Exchange adjustment	52,748	(100,476)
	<u>1,949,551</u>	<u>1,896,803</u>
At 31 August	<u>1,949,551</u>	<u>1,896,803</u>

13. OTHER INTANGIBLE ASSETS

	Student base RMB'000	Licence RMB'000	Trademark RMB'000	Total RMB'000
COST				
At 1 September 2020	367,231	72,974	587,629	1,027,834
Deconsolidation	(45,300)	(1,721)	–	(47,021)
Exchange adjustment	(15,376)	(3,633)	(28,241)	(47,250)
At 31 August 2021 and 1 September 2021	306,555	67,620	559,388	933,563
Acquire from acquisition of a subsidiary	3,854	–	–	3,854
Exchange adjustment	8,310	727	14,357	23,394
At 31 August 2022	318,719	68,347	573,745	960,811
AMORTISATION				
At 1 September 2020	17,826	5,345	–	23,171
Provided for the year	53,195	21,718	–	74,913
Deconsolidation	(27,067)	(1,672)	–	(28,739)
Impairment loss in the year	–	–	2,416	2,416
Exchange adjustment	(929)	(717)	(67)	(1,713)
At 31 August 2021 and 1 September 2021	43,025	24,674	2,349	70,048
Provided for the year	63,948	21,526	–	85,474
Exchange adjustment	1,246	64	18	1,328
At 31 August 2022	108,219	46,264	2,367	156,850
CARRYING VALUES				
At 31 August 2022	210,500	22,083	571,378	803,961
At 31 August 2021	263,530	42,946	557,039	863,515

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 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

	At 31 August 2022 RMB'000	At 31 August 2021 RMB'000
Receivable from third parties	13,811	27,178
Short-term loan to a third party (<i>Note</i>)	25,193	31,414
Prepaid rent and other prepaid expenses	11,561	9,403
Trade receivables net of allowance for credit losses	16,568	5,581
Deposits	6,040	4,212
Staff advances	328	186
Management fees receivables	–	51
Others	26,045	13,542
	99,546	91,567

Note:

As of the date of this announcement, the abovementioned loan was fully settled.

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.

	At 31 August 2022 RMB'000	At 31 August 2021 RMB'000
Not past due	13,513	3,509
0–30 days	704	592
31–60 days	205	510
61–90 days	8	189
Over 90 days	2,138	781
	16,568	5,581

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 2022, the Group's bank deposits carry interest at market rates which range from 0.6% to 3.55% (31 August 2021: 0.35% to 2.03%) per annum.

16. CONTRACT LIABILITIES

	At 31 August 2022 RMB'000	At 31 August 2021 RMB'000
Tuition and boarding fees	425,760	406,952
Others	75,790	34,721
	<u>501,550</u>	<u>441,673</u>

17. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 August 2022 RMB'000	At 31 August 2021 RMB'000
Payables for purchase of property, plant and equipment	116,112	62,018
Miscellaneous expenses received from students (<i>Note</i>)	38,846	35,741
Accrued payroll	18,737	20,520
Deposits received from students	23,257	18,953
Acquisition consideration payable	9,272	13,237
Payables for purchase of goods	7,469	8,750
Accrued operating expenses	17,644	3,575
Prepayment from lessee	19,768	2,089
Accrued professional fees for the acquisition	–	681
Compensation of Zhixin Case (<i>Note 6</i>)	84,528	–
Other tax payables	24,176	9,338
Others	52,818	33,256
	<u>412,627</u>	<u>208,158</u>

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

18. BORROWINGS

	31 August 2022 <i>RMB'000</i>	31 August 2021 <i>RMB'000</i>
Secured bank borrowings	<u>763,136</u>	<u>2,628,583</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	691,592	2,547,183
Within a period of more than one year but not exceeding two years	15,060	13,228
Within a period of more than two years but not exceeding five years	47,492	46,302
Within a period of more than five years	<u>8,992</u>	<u>21,870</u>
	763,136	2,628,583
Less: Amounts due within one year shown under current liabilities	<u>(691,592)</u>	<u>(2,547,183)</u>
Amounts shown under non-current liabilities	<u>71,544</u>	<u>81,400</u>

Notes:

- (a) As of 31 August 2021, the borrowings amounting to SGD23,103,000 and SGD259,288,000 (in aggregate equivalent to approximately RMB1,358,291,000) are secured by pledged bank deposits of RMB135,742,000 of Dalian Educational Group and RMB1,412,409,000 of Dalian Beipeng Software. During the year ended 31 August 2022, the abovementioned borrowings were fully repaid.
- (b) As of 31 August 2021, the borrowings amounting to SGD40,120,000 (equivalent to approximately 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. During the year ended 31 August 2022, the abovementioned borrowings were fully repaid.
- (c) As of 31 August 2022, the borrowing amounting to SGD138,750,000 (equivalent to approximately RMB678,465,000) (2021: SGD201,172,000 (equivalent to approximately RMB984,375,000)) is secured over (1) a corporate guarantee from the Company; (2) all the shares of the Offshore Group (including CIS) and Maple Leaf CIS Holdings Pte. Ltd.; (3) all the assets of the Offshore Group; (4) debt service reserve account held by CIS; (5) dividend accounts (if any), and (6) pledge over all the shares of Dalian Beipeng Software. The maturity date of the borrowing is on 31 August 2023.

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 amortization (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 of 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 a current liability.

As of the date of this announcement, the abovementioned borrowings were fully repaid.

- (d) As of 31 August 2022, the borrowings amounting to MYR54,830,000 (equivalent to approximately RMB84,671,000) (2021: MYR59,562,000 (equivalent to approximately RMB93,028,000)) are secured by pledge of debt service reserve account held by Kingsley International Sendirian Berhad (subsidiaries owned by Kingsley Edugroup Berhad (“**Kingsley**”)) and debenture incorporating fixed and floating charge over all assets and undertakings of Kingsley.

As of the date of this announcement, the outstanding balance is approximately MYR51,828,000 (equivalent to approximately RMB80,541,000).

These borrowings carry interest at fixed or variable interest rates ranging from 0.65% to 5.61% (2021: 0.70% to 4.46%) per annum.

- (e) Intended for the purpose of repaying the aforementioned borrowing in note (c), in December 2022, the Company entered into a new borrowing agreement amounting to USD143,000,000 at a floating interest rate with a base rate of 3.60% due in July 2024 and has the right to apply an extension of 12 months which subject to an approval from the lender. Pursuant to the agreement, the borrowing is secured by (1) share security over 100% shares in certain subsidiaries of the Group; (2) fixed and floating charge and joint control and monitoring rights over cash accounts of certain subsidiaries of the Group; and (3) fixed and floating charge over all assets of certain subsidiaries of the Group.

As of the date of this announcement, the outstanding principal balance was approximately USD143,000,000 (equivalent to approximately RMB1,036,750,000).

19. CONSIDERATION PAYABLE AND CONTINGENT CONSIDERATION

	At 31 August 2022 RMB'000	At 31 August 2021 RMB'000
Contingent consideration	–	24,178
Consideration payable		
Amounts due within one year shown under current liabilities	219,591	–
Amounts shown under non-current liabilities	–	204,005
	<u>219,591</u>	<u>228,183</u>

On 19 June 2020, the Group has entered into a sales and purchase agreement (“**the Agreement**”) for the acquisition of entire equity interest of STAR. STAR is principally engaged in the operation of a K-12 boarding school located in Singapore through its wholly owned subsidiary CIS. According the Agreement, the total consideration is determined at SGD680,000,000 (equivalent to RMB3,434,204,000) subject to certain acquisition day adjustment and variation of contingent considerations.

The acquisition is structured in two tranches, on 26 August 2020, the acquisition of the first tranche of 90% of the equity interest of STAR was completed (the “**acquisition date**”). Upon the closing of the first tranche acquisition, the Company obtains control of STAR and consolidates STAR on the acquisition date. The second tranche is for the transfer of the remaining 10% equity interest of STAR upon settlement of the second tranche consideration. It shall take place at the end of the academic year 2022 according to the Agreement. Based on the terms and arrangements of the Agreement and the structuring of the whole transaction, the Directors considers that the acquisition of the first 90% and the remaining 10% equity interest of STAR are linked transactions and therefore accounted it as a single acquisition transaction.

On 20 January 2023, the Group and the Seller signed a confirmation of second closing to confirm the second tranche amount of S\$44,438,000 (equivalent to approximately RMB219,591,000).

As of the date of this announcement, the abovementioned consideration payable were fully repaid.

20. CONVERTIBLE BONDS

	31 August 2022	31 August 2021
	RMB'000	RMB'000
Convertible bonds (<i>Note</i>)	778,663	753,665
Analysed for reporting purposes as:		
Current liabilities	506,131	–
Non-current liabilities	272,532	753,665
	778,663	753,665

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 FVTPL. The fair value as of the Issue Date and 31 August 2021 was 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 2022 is HKD2.525 (2021: HKD2.525) per share.

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.

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

During the year ended 31 August 2022, pursuant to the conditions of the Convertible Bonds (the “**Bond Conditions**”), Applicable Relevant Event (being which occurred on 23 May 2022 as a result of the suspension of trading of the Shares on the Stock Exchange commencing from 3 May 2022 in connection with the Company’s delay in the publication of the unaudited interim results of the Group for the six months ended 28 February 2022) occurred and the holder of each Bond will have the right, at such holder’s option (the “**Bondholder Put Option**”), to require the Company to redeem all or some only of such holder’s Convertible Bond on the relevant event redemption date (the “**Relevant Event Redemption Date**”) at the early redemption amount together with interest accrued but unpaid to (but excluding) such date in accordance with the Bond Conditions by submitting to the specified office of the paying agent (the “**Paying Agent**”) a relevant event redemption notice (the “**Relevant Event Redemption Notice**”) within the applicable time period specified in Bond Conditions (the “**Exercise Period**”). Whether to exercise the Bondholder Put Option is at the discretion of the Bondholders.

In August 2022, the aggregate principal face value of the Convertible Bonds in respect of which the Paying Agent has received a Relevant Event Redemption Notice on or prior to the expiry of the Exercise Period is USD125,000,000 and the Relevant Event Redemption Date was 14 August 2022. However, the Company failed to pay the amount of principal, interest, and premium (if any) due in respect of the Convertible Bonds before the Relevant Event Redemption Date. On 15 August 2022, the Company and holders of the Bonds who collectively hold or are economically entitled to approximately 70 per cent. of the principal amount of the Bonds entered into a standstill and consent solicitation support agreement (the “**Standstill Agreement**”) which sets out the parties’ in-principle agreement to implement. The terms and conditions, including proposed waivers (the “**Proposed Waivers**”), proposed amendments (the “**Proposed Amendments**”) and new undertakings (the “**New Undertakings**”), of the Standstill Agreement were agreed upon in an extraordinary meeting (the “**Extraordinary Meeting**”) which was held subsequently after 31 August 2022 (being 23 September 2022).

The Proposed Waivers refers to the extraordinary resolution passed in the Extraordinary Meeting constitute a direction by the holders of the Convertible Bonds to the trustee to irrevocably and unconditionally consent to (a) a waiver of the Applicable Relevant Event; and (b) a waiver of any potential event of default or event of default that has occurred (1) in relation to Condition 8(E) (Redemption for Relevant Event) of the Convertible Bonds or otherwise directly in relation to the Applicable Relevant Event; and (2) as a result of the Company’s entry into the Standstill Agreement.

The New Undertakings are summarized as follows:

Mandatory Redemption Undertaking

The Company shall undertake, for the benefit of each holder of Convertible Bonds, that in the event that the Proposed Waivers and Amendments are approved by the requisite majority of Bondholders, it shall redeem the Bonds at the times and in the manner set out as below:

- (a) 40 per cent. of the aggregate principal amount of the Convertible Bonds originally issued at their principal amount plus accrued and unpaid interest on the Implementation Date (being 27 October 2022); and
- (b) subject to the Security Undertaking, 25 per cent. of the aggregate principal amount of the Convertible Bonds originally issued at their principal amount plus accrued and unpaid interest on the date that is nine (9) months after the Implementation Date (the “**Second Mandatory Redemption**”),

((a) to (b) together, the “**Mandatory Redemption Undertaking**”).

The Convertible Bonds selected for redemption shall be on a pro-rata basis.

The Company announced that the Company did not have sufficient offshore funds to make the Second Mandatory Redemption on 27 June 2023 due to the prevailing controls of the State Administration of Foreign Exchange of the People’s Republic of China (the “**PRC**”) and other related PRC policies and regulations which are currently preventing the Company and its applicable Subsidiaries from remitting sufficient funds out of the PRC, resulting in the occurrence of an event of default under the Bond Conditions. On 11 September 2023, the Company announced that the bondholders passed resolutions, includes, among other matters (1) waived any and all Events of Default relating to the non-payment of the 25% Second Mandatory Redemption and the Relevant Event; and (2) 25% Second Mandatory Redemption pushed out to 27 January 2024.

As of the date of this announcement, the aggregate outstanding principal amount of the Bonds is USD75,000,000 (equivalent to approximately RMB543,750,000). after repayment of the principal amount of USD50,000,000 (being 40 per cent. of the aggregate principal amount of the Bonds) prior to the date of this announcement.

21. RELATED PARTY TRANSACTIONS AND BALANCES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

(i) Balances with related parties:

Relationships	Nature of balances	At 31 August	At 31 August
		2022	2021
		RMB'000	RMB'000
The Affected Schools	Amounts due from (current)	245,103	296,757
The Affected Schools	Amounts due to (non-current)	1,840,983	1,861,994
The Affected Schools	Amounts due to (current)	40,223	6,053

The above amounts due to and amounts due from the Affected Schools represents balances between the Group and the Affected Schools. Prior to 31 August 2021, these balances were eliminated upon consolidation of the Affected Schools by the Group. The Group deconsolidates the Affected Schools on 31 August 2021, and these balances were no longer eliminated and shown as amounts due to or amounts due from the Affected Schools. As of 31 August 2021, the Affected Schools are legally owned by the affiliated entities of the Group, consequently the Affected Schools are related parties of the Group.

The current portion of the amounts due to and amounts due from the Affected Schools represents balances which are due on demand. The non-current portion of the amounts due to Affected Schools represent long-term borrowing from Affected Schools. The original term of these borrowing were five years and interest free, the remaining term of these borrowing range from one to four years (2021: two to five years).

(ii) Transaction with a related party:

During the year ended 31 August 2022, the Group acquired a property from an executive director, Mr. Shu Liang Sherman Jen, at a consideration of RMB40,000,000. The property is located in PRC and intended to be used by the Group as its senior management's quarter.

(iii) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the financial year are as follows:

	2022	2021
	RMB'000	RMB'000
Short-term benefits	9,853	11,843

22. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the notes to the consolidated financial statements, there were no material events after the report period to be disclosed.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract from the independent auditor’s report on the consolidated financial statements of the Group for the year ended 31 August 2022 which has included an emphasis of matter paragraph for material uncertainty related to going concern, but without modification of opinion.

“In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2022, and of its consolidated financial performance and its consolidated cashflows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements which mentions that as at 31 August 2022, the Group had net current liabilities of approximately RMB1,267,273,000. The Group’s total secured bank borrowings and convertible bonds amounted to approximately RMB763,136,000 and RMB778,663,000 respectively as of 31 August 2022; while its cash and cash equivalents amounted to approximately RMB805,876,000 as of 31 August 2022.

These conditions indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

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 the Shareholders and to enhance corporate value and accountability.

Compliance with the Corporate Governance Code

During the year ended 31 August 2022 and up to the date of this announcement, the Company has applied the principles as set out in the Corporate Governance Code (“**CG Code**”) and Corporate Governance Report contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision C.2.1.

Code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman and chief executive officer (“**CEO**”) should not be performed by the same individual. Mr. 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 (“**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 2022, save and except for the following.

Mr. Jen, the Chairman and an executive Director, in reliance on the advice of the company secretary of the Company (“**Company Secretary**”), acquired 2,000,000 shares of the Company (“**Acquisition**”) on the open market during the trading hours on 14 December 2021, the date on which the annual results of the Group for the year ended 31 August 2021 were published.

On the date of the Acquisition, Mr. Jen was on a business trip during which internet service was not readily available. Mr. Jen verbally informed the designated Director of the Acquisition and received the verbal acknowledgement from the designated Director before conducting the Acquisition. After the business trip, Mr. Jen sent a written notice to the designated Director and received a written acknowledgement from the designated Director. As such, Mr. Jen had failed to comply with (1) Rule A.3(a)(i) of the Model Code which provides that, among other matters, a director must not deal in any securities of the listed issuer on any day on which its financial results are published; and (2) Rule B.8 of the Model Code which provides that, among other matters, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director designated by the board for specific purpose.

In view of the above inadvertent mistake and the non-compliance of the Model Code, the Company has implemented corresponding remedial measures, including but not limited to reminding all Directors regarding (i) the trading prohibition as required under the Model Code, in particular, the blackout period only ends on the date on which the relevant results announcement is published regardless of the time of the meeting approving such results; and (ii) the need, if in doubt, of seeking professional advice before dealing in the shares of the Company to the extent permitted under all applicable laws and regulations. The Company has also engaged legal adviser to provide training in respect of, among other matters, the dealing restrictions and requirements under the Model Code to all Directors and the Company Secretary in order to avoid similar incident in the future. Save as disclosed above, Mr. Jen does not have any record in non-compliance of the Model Code since he became a Director.

The Company has maintained an effective system in monitoring the dealings by Directors (including a notification mechanism) to ensure compliance with the Model Code. In particular, the Company has notified all Directors of the prohibition period before the commencement of such prohibition period. The Board is of the view that the guidelines and procedures for the director's dealings of shares in the Company are adequate and effective.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 August 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Final Dividend

The Board has resolved not to declare a final dividend for the year ended 31 August 2022.

Audit Committee

The Company has established an audit committee of the Board ("**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 comprised three members as at 31 August 2022, namely, Mr. Lap Tat Arthur Wong (Chairman) ("**Mr. Wong**"), Mr. Peter Humphrey Owen and Mr. Alan Shaver, all being independent non-executive Directors.

The Audit Committee currently comprises three members, namely, Mr. King Pak Lau (appointed on 28 February 2023), Mr. Peter Humphrey Owen and Ms. Wai Fong Wong (appointed on 1 January 2023), all being independent non-executive Directors. Mr. King Pak Lau is the chairman of the Audit Committee with effect from 28 February 2023, Mr. Wong ceased to be the chairman of the Audit Committee at the conclusion of the AGM upon his retirement as an independent non-executive Director on the same date. Mr. Alan Shaver ceased to be a member of Audit Committee with effect from 31 August 2023 upon his resignation as an independent non-executive Director on the same date. Ms. Wai Fong Wong was appointed as a member of the Audited Committee on 31 August 2023.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2022 and has met with the independent auditors, ZHONGHUI. 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.

Subsequent Events after the Reporting Period

Suspension of trading and resumption progress

Trading in the shares of the Company (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on the Stock Exchange has been suspended since 9:00 a.m. on 3 May 2022 due to the delay in publication of the 2022 Interim Results and will remain suspended until the Company fulfils the Resumption Guidance.

As disclosed in the announcement of the Company dated 23 May 2022, the Board resolved to establish the independent board committee of the Board (“**IBC**”) to conduct the independent investigation of the Relevant Matters and the internal control over financial reporting (“**Independent Investigation**”). As disclosed in the announcement of the Company dated 14 June 2022, the IBC appointed RSM Corporate Advisory (Hong Kong) Limited as an independent forensic accountant (“**Independent Investigator**”) to conduct an independent forensic accounting review into the Relevant Matters and prepare an independent forensic accounting report on the findings of the Independent Investigation and provide recommendations to the IBC in respect of the Relevant Matters. In late August 2022, the Company appointed RSM Consulting (Hong Kong) Limited (“**IC Consultant**”) to conduct an independent review of the existing internal controls and procedures of the Company and make recommendations of remedial measures (“**IC Review**”).

On 20 June 2023, the Independent Investigator has completed the Independent Investigation and issued the investigation report on the findings of the Independent Investigation and provide recommendations to the IBC in respect of the Relevant Matters (“**Investigation Report**”) to the IBC. The IBC having reviewed the findings and results of the Independent Investigation, presented the Investigation Report, together with the recommendations of the IBC, to the Board for consideration and approval on 20 June 2023. The Board concurred with the IBC that the content and findings of the Independent Investigation are reasonable and acceptable and the Board believed that (i) there was no reasonable regulatory concern regarding the integrity of the management or any individuals with substantial influence over the Company’s management and operations, which could potentially put investors at risk and undermine market confidence; and (ii) the enhanced internal control measures adopted by the Company were sufficient and effective in fulfilling the Company’s obligations and protecting its interests as per the Listing Rules. The Board accepted the IBC’s recommendations in their entirety and has resolved to (i) adopt the findings of the Investigation Report and (ii) implement the recommendations of the IBC.

The IC Consultant has finished the IC Review with a review period from 1 September 2021 to 31 August 2022 (“**First Review**”). The IC Consultant has identified certain key findings and made certain recommendations in the First Review and completed the follow-up review with a review period from the date of implementation of remedial measures by the Group to 20 June 2023 (“**Follow-up Review**”). The IC Consultant has issued a report in respect of the findings of the IC Review (“**IC Review Report**”) on 20 June 2023 and concluded that the Group has implemented recommended remedial measures to rectify the deficiencies identified in the First Review. No material deficiencies in the Company’s internal controls and procedures were noted in the Follow-up Review.

For more details regarding the Relevant Matters, the Resumption Guidance, the Independent Investigation, the Investigation Report, the IC Review Report and the resumption progress, please refer to the announcements of the Company dated 27 April 2022, 16 May 2022, 23 May 2022, 30 May 2022, 14 June 2022, 2 August 2022, 1 November 2022, 1 February 2023, 28 April 2023, 4 July 2023 and 1 August 2023. The Company will keep the Shareholders and potential investors informed of the latest developments by making further announcement(s) as and when appropriate.

Change of Directors and change in composition of committees

With effect from 1 January 2023, Ms. Wai Fong Wong has been appointed as an independent non-executive Director and a member of the IBC and Dr. Kem Hussain has been appointed as a non-executive Director.

Mr. Wong retired as an independent non-executive Director with effect from 28 February 2023 immediately after the conclusion of the AGM due to his intention to devote more time to his family and pursue other business opportunities. Mr. Wong also ceased to be (i) the chairman of the Audit Committee; and (ii) the chairman of the IBC.

Mr. King Pak Lau has been appointed as an independent non-executive Director and the chairman of each of the Audit Committee and the IBC, with effect from 28 February 2023 immediately after the conclusion of the AGM.

Mr. Alan Shaver resigned as an independent non-executive Director with effect from 31 August 2023 to pursue personal non-business activities and ceased to be a member of each of the Audit Committee, the remuneration committee of the Board (“**Remuneration Committee**”), the nomination and corporate governance committee of the Board (“**Nomination Committee**”) and the IBC. Following the above resignation, Ms. Wai Fong Wong, an independent non-executive Director, was appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 31 August 2023.

Adoption of New Memorandum and Articles of Association

In order to be in line with the latest legal and regulatory requirements, including (i) the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and (ii) the amendments made to Appendix 3 to the Listing Rules, which took effect on 1 January 2022, introducing a common set of core shareholder protection standards applicable to all listed issuers in Hong Kong, the Board has put forward to the shareholders of the Company a special resolution to adopt a new memorandum and articles of association of the Company (“**New M&A**”) in substitution for, and to the exclusion of, the then constitution of the Company (“**Existing M&A**”). On 28 February 2023, a special resolution for adopting the New M&A in substitution for and to the exclusion of the Existing M&A was passed by the Shareholders at the AGM. For details of the New M&A, please refer to the announcements of the Company dated 31 January 2023 and 28 February 2023 and the circular of the Company dated 3 February 2023.

Update regarding relevant events in relation to the Convertible Bonds

References are made to the announcement of the Company dated 1 June 2022, 1 August 2022, 16 August 2022, 1 September 2022, 16 September 2022, 5 October 2022, 27 October 2022, 20 January 2023, 3 February 2023, 14 April 2023, 18 April 2023, 19 June 2023, 28 June 2023, 7 July 2023, 18 August 2023 and 12 September 2023 (collectively, the “**CB Announcements**”). Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the CB Announcements. The updates regarding relevant events in relation to the Convertible Bonds after the reporting period are as follows:

- (a) as disclosed in the announcement of the Company dated 5 October 2022, notwithstanding the occurrence of the Applicable Relevant Event, on 15 August 2022, the Consenting Bondholders entered into the First Standstill Agreement which set out, among other things, the parties’ in-principle agreement to implement and otherwise give effect to the original “Proposal” as defined in the notice of meeting from the Company to the Bondholders dated 1 September 2022. The First Standstill Agreement was automatically terminated in accordance with its terms on 14 September 2022, following which the Company and the Consenting Bondholders entered into further negotiations, including in relation to the Escrow Agreement. On 4 October 2022, the Company and the Consenting Bondholders entered into the Second Standstill Agreement, which set out, among other things, the parties’ in-principle agreement to implement and otherwise give effect to the new Proposal;
- (b) the Second Standstill Agreement was drafted on substantially similar terms as the First Standstill Agreement, albeit the Mandatory Redemption Undertaking (as defined in the announcement of the Company dated 16 August 2022) was amended such that the Redemption Amount shall take place on the Amended Mandatory Redemption Date. Until the Amended Mandatory Redemption Date, an amount equal to 40 per cent. of the Convertible Bonds originally issued at their principal amount plus accrued and unpaid interest up to 8 November 2022 (which comprises all, or substantially all, of the Redemption Amount) shall be subject to the terms of the Escrow Agreement;

- (c) the Meeting was convened and held on 27 October 2022. The Extraordinary Resolution as set out in the Notice of Meeting was duly passed at the Meeting by the requisite majority of Bondholders in accordance with the terms of the Trust Deed. The Proposed Waivers in relation to the Convertible Bonds became immediately effective upon the passing of the Extraordinary Resolution. The Amended and Restated Trust Deed and the Amended and Restated Agency Agreement giving effect to the Proposed Amendments were duly executed by each of the parties thereto on 27 October 2022. As a result, each present and future holder of the Convertible Bonds were bound by the terms of the Amended and Restated Trust Deed (which amended and restated the Trust Deed), and by the terms of the Amended and Restated Agency Agreement (which amended and restated the Agency Agreement);
- (d) in accordance with paragraph (i) of Condition 8(F) (Mandatory redemption) of the terms and conditions of the Convertible Bonds, the Company has (i) redeemed (on a pro rata basis) 40 per cent. of the aggregate principal amount of the Convertible Bonds outstanding (being an amount of USD50,000,000) (“**Redemption Amount**”), together with interest accrued but unpaid in respect of such amount from, and including, the previous Interest Payment Date (being 27 January 2023) up to, but excluding, the First Mandatory Redemption Date (being 3 February 2023). For the avoidance of doubt, interest accrued on the Redemption Amount from and including 8 November 2022 up to but excluding 27 January 2023 was paid by the Company in accordance with Condition 5 (Interest) of the Convertible Bonds;

Second occurrence of the relevant event on 17 April 2023

- (e) as disclosed in the announcement of the Company dated 14 April 2023, despite the Company’s best efforts to comply with Condition 8(E) (Redemption for Relevant Event) of the Convertible Bonds, trading in the Company’s shares on the Stock Exchange continued to remain suspended on 17 April 2023 resulting in the occurrence of a Relevant Event;
- (f) as disclosed in the announcement of the Company dated 18 April 2023, a Relevant Event occurred on 17 April 2023 on the basis that, the Shares continue to remain suspended from trading on the Stock Exchange;
- (g) upon the occurrence of a Relevant Event, the holder of each Bond would have the right, at such holder’s option, to exercise the Bondholder Put Option;
- (h) as also disclosed in the announcement of the Company dated 14 April 2023, the Company shall not exercise the CIS Encumbrance Option pursuant to Condition 4(C) (Second Ranking CIS Encumbrance) of the Convertible Bonds on the basis that the creation of the Second Ranking CIS Encumbrance would trigger an ‘event of default’ under the New SGD Loan. Consequently, on 27 June 2023, under Condition 8(F)(ii) (Mandatory redemption) of the Convertible Bonds, the Company is required to make the Second Mandatory Redemption. However, due to the prevailing controls of the State Administration of Foreign Exchange of the PRC and other related PRC policies and regulations which are currently preventing the Company and its applicable Subsidiaries from remitting sufficient funds out of the PRC, regrettably, the Company will not have sufficient offshore funds to make the Second Mandatory Redemption on 27 June 2023, resulting in the occurrence of an Event of Default under Conditions 10(A)(i) and (v) of the Convertible Bonds;

- (i) as disclosed in the announcement of the Company dated 19 June 2023, the Exercise Period expired on 17 June 2023. As at 17 June 2023, the aggregate outstanding principal amount of the Convertible Bonds was USD75,000,000 and the aggregate principal face value of the Convertible Bonds in respect of which the Paying Agent has received a Relevant Event Redemption Notice on or prior to the expiry of the Exercise Period is USD20,200,000;
- (j) as disclosed in the announcement of the Company dated 18 August 2023, the Company issued and disseminated to Bondholders a notice of meeting dated 18 August 2023 to request Bondholders to consider and, if thought fit, approve and pass the Extraordinary Resolution at a meeting of the Bondholders to be held on 11 September 2023, which will provide for certain amendments and waivers in relation to the Convertible Bonds; and
- (k) as disclosed in the announcement of the Company dated 12 September 2023, the Meeting was convened and held on 11 September 2023. The Extraordinary Resolution as set out in the Notice of Meeting was duly passed at the Meeting by the requisite majority of Bondholders in accordance with the terms of the Trust Deed. The Proposed Waivers in relation to the Convertible Bonds became immediately effective upon the passing of the Extraordinary Resolution and the occurrence of the Fee Pay Effective Date (being 12 September 2023). The Second Amended and Restated Trust Deed giving effect to the Proposed Amendments were duly executed by each of the parties thereto. As a result, each present and future holder of the Convertible Bonds were bound by the terms of the Second Amended and Restated Trust Deed.

For further details of the updates in relation to the Convertible Bonds after the reporting period, please refer to the CB Announcements. The Company will make further announcement(s) in relation to the above matters as and when appropriate.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

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 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.mapleleaf.cn. The annual report of the Group for the year ended 31 August 2022 will be despatched to the Shareholders and be made available for review on the aforesaid websites in due course.

CONTINUED SUSPENSION 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 3 May 2022 due to the delay in publication of the 2022 Interim Results and will remain suspended until the Company fulfils the Resumption Guidance imposed by the Stock Exchange on the Company as described in the announcement of the Company dated 30 May 2022.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 29 September 2023

As at the date of this announcement, the Board comprises Mr. Shu Liang Sherman Jen, Ms. Jingxia Zhang and Mr. James William Beeke as Executive Directors; Dr. Kem Hussain as a non-executive Director; and Mr. Peter Humphrey Owen, Ms. Wai Fong Wong and Mr. King Pak Lau as Independent Non-executive Directors.

* *For identification purposes only*