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China Maple Leaf Educational Systems Limited

中國楓葉教育集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1317)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

HIGHLIGHTS

The Board has resolved to recommend the payment of an interim dividend of HK\$0.042 per share for the six months ended 29 February 2016 (for the six months ended 28 February 2015: HK\$0.025 per share).

	Six months ended		Change	Percentage Change
	29 February 2016	28 February 2015		
	RMB'000	RMB'000	RMB'000	
	(unaudited)	(unaudited)		
Revenue	380,250	300,022	+80,228	+26.7%
Gross profit	179,060	123,544	+55,516	+44.9%
Profit for the period	124,988	56,382	+68,606	+121.7%
Adjusted net profit (Note)	116,980	68,917	+48,063	+69.7%
Earnings per share				
Basic (RMB)	0.09	0.05	+0.04	+80%
Diluted (RMB)	0.09	0.05	+0.04	+80%

Note:

Adjusted net profit was derived from the profit for the period after adjusting for those non-recurring items which are not indicative of the Group's operating performances, including (i) a change in fair value on Preferred Shares, (ii) expenses relating to the Listing, (iii) share-based payments, and (iv) government grant. The comparative figure for the six months ended 28 February 2015 was restated after adjusting for share-based payments for consistent presentation.

	As at the end of		Change	Percentage Change
	29 February 2016	28 February 2015		
Total number of students enrolled	17,980	15,140	+2,840	+18.8%

INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

The board (the “**Board**”) of directors (the “**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 29 February 2016. These interim results have been reviewed by the Company’s Audit Committee (the “**Audit Committee**”) and the Company’s external auditors, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

		Six months ended	
		29 February 2016	28 February 2015
	NOTES	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	380,250	300,022
Cost of revenue		(201,190)	(176,478)
Gross profit		179,060	123,544
Investment and other income	4	22,311	6,946
Other gains and losses		(4,829)	1,151
Marketing expenses		(10,032)	(9,314)
Administrative expenses		(53,828)	(49,605)
Finance costs		–	(4,089)
Other expenses		(698)	(7,295)
Change in fair value on redeemable convertible preferred shares		–	(277)
Profit before taxation		131,984	61,061
Taxation	5	(6,996)	(4,679)
Profit for the period	6	124,988	56,382
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		6,787	(150)
Reclassification adjustment for the accumulative gain included in profit or loss upon disposal of available-for-sale investments		–	(478)
Exchange difference arising on the translation of foreign operation		(198)	(530)
Other comprehensive income (expense) for the period		6,589	(1,158)
Total comprehensive income for the period		131,577	55,224
EARNINGS PER SHARE			
Basic (RMB)	8	0.09	0.05
Diluted (RMB)	8	0.09	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 29 FEBRUARY 2016

		At 29 February 2016 <i>RMB'000</i> (unaudited)	At 31 August 2015 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Non-current Assets			
Property, plant and equipment	9	1,424,918	1,397,751
Prepaid lease payments		168,277	170,454
Investment properties		16,568	16,996
Goodwill		12,399	12,399
Intangible assets		581	700
Available-for-sale investments		64,921	58,134
Books for lease		4,241	2,893
Deposits for construction of property and land use right		—	1,037
		<u>1,691,905</u>	<u>1,660,364</u>
Current Assets			
Inventories		2,098	1,395
Available-for-sale investments		—	100,000
Deposit, prepayments and other receivables		27,706	32,103
Bank balances and cash		796,013	1,022,141
		<u>825,817</u>	<u>1,155,639</u>
Current Liabilities			
Deferred revenue	10	369,549	660,138
Other payables and accrued expenses	11	227,941	295,116
Income tax payable		33,110	26,867
		<u>630,600</u>	<u>982,121</u>
Net Current Assets		<u>195,217</u>	<u>173,518</u>
Total Assets Less Current Liabilities		<u><u>1,887,122</u></u>	<u><u>1,833,882</u></u>

	At 29 February 2016 <i>NOTES</i> <i>RMB'000</i> (unaudited)	At 31 August 2015 <i>RMB'000</i> (audited)
Capital And Reserves		
Share capital	8,411	8,411
Reserves	<u>1,857,382</u>	<u>1,803,883</u>
	<u>1,865,793</u>	<u>1,812,294</u>
Non-Current Liabilities		
Deferred tax liabilities	<u>21,329</u>	<u>21,588</u>
	<u>21,329</u>	<u>21,588</u>
	<u><u>1,887,122</u></u>	<u><u>1,833,882</u></u>

1. GENERAL AND BASIS OF PREPARATION

The Company 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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 28 November 2014 (the “**Listing**”).

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with International Accounting Standard 34 “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 29 February 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 August 2015.

No amendments to international financial reporting standards and new interpretation are mandatorily effective for the current interim period.

3. REVENUE AND SEGMENT INFORMATION

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

The Group is mainly engaged in international school education in the People’s Republic of China (“**PRC**” or “**China**”). The Group’s chief operating decision maker has been identified as the Chief Executive Officer who reviews revenue analysis by services lines when making decisions about allocating resources and assessing performance of the Group.

As there is no other discrete financial information is available for assessment of performance of different services, no segment information is presented.

The revenues attributable to the Group’s service lines are as follows:

	Six months ended	
	29 February 2016	28 February 2015
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Tuition and boarding fees	337,938	266,760
Others	42,312	33,262
	380,250	300,022

4. INVESTMENT AND OTHER INCOME

	Six months ended	
	29 February 2016 RMB'000 (unaudited)	28 February 2015 RMB'000 (unaudited)
Banks interest income	9,918	4,262
Dividends income from available-for-sale investments	2,240	50
Rental income from investment properties	1,418	1,563
Interest income from short term investment	701	631
Government grant	8,032	—
Others	2	440
	<u>22,311</u>	<u>6,946</u>

5. TAXATION

	Six months ended	
	29 February 2016 RMB'000 (unaudited)	28 February 2015 RMB'000 (unaudited)
The charge comprises		
Current tax:		
PRC Enterprise Income Tax ("PRC EIT")	7,255	2,326
Deferred tax:		
Current year	<u>(259)</u>	<u>2,353</u>
	<u>6,996</u>	<u>4,679</u>

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited was incorporated in the British Virgin Islands ("BVI") that are tax exempted as no business is carried out in the Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax been made as the Group's operation in Hong Kong had no assessable profit for both periods.

All subsidiaries of the Company established in the PRC are subject to the applicable PRC EIT for both periods.

According to the Implementation Rules 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. Dalian Maple Leaf International School, Dalian Maple Leaf International School (Middle School and Elementary School), Tianjin Taida Maple Leaf International School, Wuhan Maple Leaf International School, Wuhan Maple Leaf School, Zhenjiang Maple Leaf International School, Chongqing Maple Leaf International School and Tianjin Huayuan Maple Leaf International School have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities.

6. PROFIT FOR THE PERIOD

	Six months ended	
	29 February 2016 RMB'000 (unaudited)	28 February 2015 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (<i>Note</i>)		
– salaries and other allowances	158,121	136,091
– retirement benefit scheme contributions	6,202	5,612
– share-base payments	24	5,706
Total staff costs	164,347	147,409
Gross rental income from investment properties	(1,418)	(1,563)
Less:		
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the period (included in other expenses)	684	587
	(734)	(976)
Depreciation of property, plant and equipment	20,057	18,012
Depreciation of investment properties	428	428
Release of prepaid lease payments	2,196	2,317
Amortisation of books for lease	1,252	1,411
Listing-related expenses (included in other expenses)	–	6,552

Note: The staff costs of approximately RMB122,862,000, RMB2,661,000 and RMB38,824,000 (for the six months ended 28 February 2015: RMB110,082,000, RMB1,858,000 and RMB35,469,000) were included in the cost of revenue, marketing expenses and administrative expenses respective, for the current interim period.

7. DIVIDENDS

During the current interim period, a final dividend of HK\$0.043 per share and a special dividend of HK\$0.027 per share were paid to shareholders. Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HK\$0.042 per share (2015: HK\$0.025) will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 May 2016.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	29 February 2016 RMB'000 (unaudited)	28 February 2015 RMB'000 (unaudited)
Earnings for the purpose of basic earnings per share (Profit for the period attributable to the owners of the Company)	124,988	56,382
Change in fair value and gain on cancellation of warrants	<u>–</u>	<u>277</u>
Earnings for the purpose of diluted earnings per share	<u>124,988</u>	<u>56,659</u>
	Six months ended	
	29 February 2016 '000 (unaudited)	28 February 2015 '000 (unaudited)
<u>Weighted average numbers of shares:</u>		
Number of ordinary shares for the purpose of basic earnings per share	1,328,600	1,060,220
Effect of dilutive potential ordinary shares:		
Redeemable convertible preferred shares	–	111,394
Share options	<u>779</u>	<u>14,030</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,329,379</u>	<u>1,185,644</u>

The number of shares adopted in the calculation of the basic earnings per share for the six months ended 29 February 2016 has been arrived at after eliminating the ungranted or unvested shares of the Company held under the Company's share award scheme (the "**Share Award Scheme**").

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain equipment with an aggregate carrying amount of approximately RMB7,995,000 (for the six months ended 28 February 2015: RMB35,000) for cash proceeds of approximately RMB10,171,000 (for the six months ended 28 February 2015: RMB21,000), resulting in a loss on disposal of approximately RMB7,824,000 (for the six months ended 28 February 2015: RMB14,000) and a reduction of RMB10,000,000 on receivable in respect of disposal of properties.

In addition, the Group spent approximately RMB56,384,000 (for the six months ended 28 February 2015: RMB74,039,000) on addition of property, plant and equipment.

10. DEFERRED REVENUE

	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
Tuition and boarding fees	344,956	621,175
Others	24,593	38,963
	<u>369,549</u>	<u>660,138</u>

11. OTHER PAYABLES AND ACCRUED EXPENSES

	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
Other tax payables	12,362	15,907
Payables for purchase of property, plant and equipment	61,599	81,518
Payables for purchase of goods	1,325	748
Consideration payable for business combination	5,300	9,540
Miscellaneous expenses received from students (<i>Note</i>)	94,705	132,150
Deposits received from students	19,522	19,369
Accrued payroll	8,270	10,635
Prepayment from lessee	119	80
Accrued operating expenses	1,570	1,754
Payable for land use right	3,000	3,000
Other payables	20,169	20,415
	<u>227,941</u>	<u>295,116</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over twenty years of education experience, the Group is committed to provide quality bilingual preschool to grade 12 (“**K-12**”) educational services in China by combining the merits of both Western and Chinese educational philosophies. Our high schools (for students from grade 10 to 12) are certified by the Ministry of Education of British Columbia (“**BC**”), Canada and China government, allowing our graduates to receive both a fully accredited BC diploma and a China diploma. We targets students from middle class families who aim to pursue higher education abroad and our tuition fees are affordable and competitive.

Our Schools

At the commencement of the 2015/2016 school year, 6 new schools were added in our school network. In September 2015, the Group opened a high school, a middle school (for students from grade 7 to 9) and an elementary school (for students from grade 1 to 6) in Yiwu, Zhejiang Province, a middle school and an elementary school in Jingzhou, Hubei Province and a preschool in Chongqing.

As at 29 February 2016, the Group had 46 schools located in 11 cities in China, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou and Yiwu. The following table shows a summary of our schools by category as at the end of the two periods:

	At 29 February 2016	At 28 February 2015
High schools	8	7
Middle schools	12	10
Elementary schools	11	9
Preschools	13	12
Foreign national schools	2	2
Total	46	40

Revenue

	For the six months ended			
	29 February 2016 RMB'000	% of Total	28 February 2015 RMB'000	% of Total
Tuition fees				
– High school	191,034	50.2	156,620	52.2
– Middle school	58,797	15.5	47,136	15.7
– Elementary school	67,244	17.7	43,479	14.5
– Preschool	12,327	3.2	11,308	3.8
– Foreign national school	8,536	2.2	8,217	2.7
	<u>337,938</u>	<u>88.8</u>	<u>266,760</u>	<u>88.9</u>
Textbooks	19,856	5.2	16,194	5.4
Summer and winter camps	15,597	4.1	15,540	5.2
Other educational services	584	0.2	1,528	0.5
Others	<u>6,275</u>	<u>1.7</u>	<u>–</u>	<u>–</u>
Total	<u><u>380,250</u></u>	<u><u>100</u></u>	<u><u>300,022</u></u>	<u><u>100</u></u>

For the six months ended 29 February 2016, tuition fees remained the major revenue contributor accounting for over 88% of the total revenue. Tuition fees generally include boarding fees, which are mainly paid in advance prior to the beginning of each school year and are initially recorded as deferred revenue. Tuition fees received in advance are recognized as revenue proportionately over the relevant school year. For the six months ended 29 February 2016, tuition fees increased by RMB71.2 million, or 26.7%, due to an increase in the overall student enrolment to a large extent and an increase in tuition fee rates of certain schools with effect from September 2015 to a lesser extent.

The proportion of high school tuition fees decreased from 52.2% for the six months ended 28 February 2015 to 50.2% for the six months ended 29 February 2016 while the proportion of the total of middle and elementary school tuition fees increased from 30.2% for the six months ended 28 February 2015 to 33.2% for the six months ended 29 February 2016. This change was mainly attributable to the reason that 2 elementary schools and 2 middle schools were opened in September 2015 and the number of elementary and middle school students at Tianjin (Huayuan) campus grew significantly. Accordingly, the proportion of high school students decreased whereas the proportion of the total of elementary and middle school students increased during the six months ended 29 February 2016.

Revenue from others comprises mainly revenue from self-operated supermarkets in our school campuses. We started our own operations of supermarkets from the second semester of the 2014/2015 school year and, accordingly, the revenue from others increased for the six months ended 29 February 2016.

Student Enrollment

	At 29 February 2016	At 28 February 2015	Change	Change Percentage
Total number of students enrolled	17,980	15,140	+2,840	+18.8%

Total number of students increased due to the increase in overall student enrollment of the schools in Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai and Pingdingshan and the opening of schools in two additional cities in China, namely Jingzhou and Yiwu, with effect from September 2015. In particular, the schools in Wuhan, Tianjin (Huayuan), Zhenjiang, Shanghai and Luoyang continued to record a remarkable growth in student enrolment for the six months ended 29 February 2016. Furthermore, the student enrollment of the new schools in Yiwu well exceeded our target.

Average Tuition Fee per Student

	For the six months ended	
	29 February 2016	28 February 2015
Tuition fees (RMB'000)	337,938	266,760
Average student enrollment [^]	17,029	14,327
Average tuition fee per student [#] (RMB'000)	<u>19.8</u>	<u>18.6</u>

[^] Average student enrollment is calculated as the average of the total number of students enrolled at the end of six months period and the total number of students enrolled at the end of the previous school year.

[#] Average tuition fee per student is calculated by dividing tuition fees for the six months period over average student enrollment.

Average tuition fee per student increased by approximately 6.6% primarily because the Group raised the tuition fee rates of certain schools located at Dalian, Wuhan, Chongqing and Zhenjiang with effect from the 2015/2016 school year and the increased tuition fee rates apply only to the new students enrolled.

Utilization of Our Schools

Utilization rate is calculated as the number of students divided by the capacity for a given school. Except for our preschools and foreign national schools, all of our schools are generally boarding schools. For these boarding schools, the capacity for students is calculated based on the number of beds in their dormitories. For our foreign national schools, the capacity for students is calculated based on the number of desks in their classrooms. For our preschools, the capacity for students is calculated based on the number of beds used for naps in the schools.

	At 29 February 2016	At 28 February 2015
Total number of students enrolled	17,980	15,140
Total capacity	30,040	26,090
Overall utilization	<u>59.9%</u>	<u>58.0%</u>

Total capacity increased due primarily to the opening of schools in Yiwu and Jingzhou in September 2015. The improvement in overall utilization rate was due largely to the ramp-up of student enrolment in certain school locations including Chongqing, Zhenjiang, Shanghai and Luoyang.

As at 31 March 2016, the total student number of the Group increased to 19,353 due primarily to the addition of new students enrolled in the second semester of the 2015/2016 school year and accordingly, the overall utilization increased to approximately 64.4% subsequently.

Our Teachers

	At 29 February 2016	At 28 February 2015
Total number of teachers	<u>1,762</u>	<u>1,481</u>

Our student-teacher ratio remained relatively stable at both period ends, which was below 11:1. The total number of teachers increased mainly because more PRC-certified teachers were recruited primarily for the opening of 2 elementary schools and 2 middle schools at the commencement of 2015/2016 school year.

OUTLOOK

Student Enrollment

As at 31 March 2016, our total student number was 19,353, which already exceeded our student enrollment target for the 2015/2016 school year as laid down under the Group's fifth five-year plan. Approximately 40% of our current students are high school students.

The Group believes that if the student enrollment from elementary to high school levels is in a pyramid structure, this will reduce the reliance on recruiting high school students from other private and public schools in the long run. In order to achieve this purpose, the Group will open more elementary and middle schools in second and third tier cities in China as feeders for its existing school campuses which have high schools and are large enough to serve as district schools. Therefore, the Group expects that the percentage of total number of middle and elementary school students will continue to grow.

New School Openings in China in the 2016/2017 School Year

The Group has a strong pipeline for opening new schools in China in the 2016/2017 school year. In particular, the Group will open 7 new schools (3 middle schools, 3 elementary schools and 1 preschool) in 3 additional cities in China, namely Pinghu in Zhejiang Province, Xi'an in Shannxi Province and Huai'an in Jiangsu Province. Furthermore, the Group has planned to open about 3 to 4 new schools in its existing school network in Yiwu, Tianjian and certain cities in Hubei Province.

1) Maple Leaf International School – Pinghu

The new school campus in Pinghu will be located at Economic and Technical Development Zone, Pinghu, Zhejiang Province with a land area of 100 mu. The school campus is expected to have a total student capacity of approximately 2,000, where a middle school, an elementary school and a preschool will be opened in the 2016/2017 school year.

As disclosed in the Company's prospectus dated 18 November 2014, the Group has entered into a cooperation agreement with Zhejiang Pinghu Economic and Technical Development Zone Administration Committee (the "**Pinghu Committee**") to jointly develop the above schools. Under the agreement, the Pinghu Committee will construct the school premises and contribute the land use right to the campus site and the school premises. The Pinghu Committee is entitled to receive an administration fee, the calculation of which is based on the disposable profit of the schools in the prior financial year. As such, this school campus was originally intended to be developed under asset light model. However, due to the recent changes in local requirements in Pinghu, the Group has entered into a supplemental agreement with the Pinghu Committee under which, among other things, the Group agreed to bear the construction costs of the school premises, related facilities and interior decorations, whereas the Pinghu Committee agreed not to share any profit of the schools. In addition, the Pinghu Committee agreed to provide the Group with a subsidy of RMB30 million for the construction costs.

2) *Maple Leaf International School – Xi'an*

The new school campus in Xi'an will be located at Airport New City, Xi Xian New Area, Xi'an, Shannxi Province with a land area of 200 mu, which is developed under asset light business model. The school campus, which will be developed in two phases, is expected to have a total student capacity of approximately 3,500 to 4,000, comprising a high school, a middle school, an elementary school and a foreign national school. The Group will open a middle school and an elementary school in the 2016/2017 school year. It is expected that a high school and a foreign national school will be opened in the 2017/2018 school year.

3) *Maple Leaf Enlai International School – Huai'an*

During the six months ended 29 February 2016, the Group entered into a cooperation agreement with the local government authority under which, among other things, certain vacant school buildings located in Qinghe District, Huai'an, Jiangsu Province will be leased to the Group for opening a middle school and an elementary school in the 2016/2017 school year. The estimated total student capacity of these schools will be approximately 600.

4) *New Schools in The Existing School Network*

The Group has also planned to open a foreign national school in Yiwu and about 2 to 3 preschools in Tianjin and certain cities in Hubei Province in the 2016/2017 school year.

Overseas Expansion

As an international school operator, the Group is actively exploring opportunities for expanding its school network to overseas countries and regions including Canada and Hong Kong. The Group believes that opening schools outside China will increase the brand awareness of "Maple Leaf" and enhance its competitiveness in China.

Grant of Share Options and Share Awards

The Board realizes the importance of retention and attraction of talents who are able to make significant contributions to the Group. Accordingly, the Company has adopted various share incentive schemes including share option schemes and the Share Award Scheme. During the six months ended 29 February 2016, the Company granted 600,000 share options to certain eligible employees of the Group. For details, please refer to the Company's announcement dated 16 February 2016.

Subsequent to the end of the current interim period, the Board has resolved to grant share awards of a total of 6,430,000 shares of the Company held under the Share Award Scheme to certain eligible employees of the Group, including our teachers, with certain vesting conditions. The Company will continue to make use of these schemes as one of the methods to attract, retain and motivate our Directors, senior management and employees.

Conclusion

As at 29 February 2016, deferred revenue amounted to RMB369.5 million providing an indication of the amount that will be recognized as revenue for the second half of the year ending 31 August 2016. It is also expected that additional revenue will be recorded for the activities of summer camps, summer classes and graduation consulting services in the second half of the year ending 31 August 2016.

Our future growth relies on a sustainable growth in our student enrollment of K-12 educational services. Apart from the organic growth from our existing schools, we will continue to open more schools under asset light development by partnering with the local governments or property developers. In particular, the Group has been approached by various local government authorities and local property developers in second and third tier cities in China, such as Huzhou, Weifang, Yancheng, Dalian and Shijiazhuang, to jointly develop schools in the relevant cities. In this regard, we expect more schools will be opened under asset light business model in the school years of 2017/2018 and 2018/2019.

The Group believes that the asset light business model can help the Group to expand its school network quickly in second and third tier cities with minimal capital expenditure. Apart from asset light development, we will also consider the establishment of schools or the acquisition of schools in both China and overseas countries.

FINANCIAL REVIEW

Revenue

The Group derives revenue from tuition fees for our high schools, middle schools, elementary schools, preschools and foreign national schools, the sale and lease of textbooks and other educational materials to our students, revenue from fees for our summer and winter camps, revenue from other educational services and revenue from others relevant to the basic necessities of our students including revenue from self-operated supermarket in our school campuses.

Total revenue of the Group increased by RMB80.2 million, or 26.7%, from RMB300.0 million for the six months ended 28 February 2015 to RMB380.2 million for the six months ended 29 February 2016. The increase was due primarily to the increase in revenue from tuition fees by RMB71.2 million and the increase in revenue from others by RMB6.3 million.

Revenue from tuition fees increased by 26.7% from RMB266.7 million for the six months ended 28 February 2015 to RMB337.9 million for the six months ended 29 February 2016, due largely to the increase in student enrollment by 18.8% and the increase in tuition fee rates of certain schools with effect from September 2015. Revenue from others increased mainly because the Group started its own operations of supermarkets from the second semester of the 2014/2015 school year.

Cost of Revenue

Our cost of revenue consists primarily of staff costs, depreciation and amortization, other training expenses and other costs. Staff costs consist of salaries and benefits paid to our teachers and other teaching staff. Depreciation and amortization relate to the depreciation of property, plant and equipment and the amortization of books for lease. Other training expenses relate to travel expenses and other expenses incurred in connection with our summer and winter camps overseas. Other costs include our daily expenses of operating our schools and facilities, including the cost of furniture at our schools and the cost of maintaining our facilities.

Cost of revenue increased by RMB24.7 million, or 14.0%, from RMB176.5 million for the six months ended 28 February 2015 to RMB201.2 million for the six months ended 29 February 2016. The increase was due largely to an increase in teaching staff costs by RMB12.8 million, an increase in depreciation and amortisation by RMB3.7 million and an increase in other costs by RMB8.6 million.

Teaching staff costs increased by 11.6% from RMB110.1 million for the six months ended 28 February 2015 to RMB122.9 million for the six months ended 29 February 2016, due primarily to the effect that the increase in the number of teachers from 1,481 as at 28 February 2015 to 1,762 as at 29 February 2016 was partially offset by a depreciation of Canadian dollars (“CAD”) for salaries of our BC-certified teachers. Depreciation and amortisation increased from RMB17.6 million for the six months ended 28 February 2015 to RMB21.3 million for the six months ended 29 February 2016, due primarily to additional depreciation charge for our schools in Yiwu and Jingzhou which were opened in September 2015. Other costs increased from RMB35.4 million for the six months ended 28 February 2015 to RMB44.0 million for the six months ended 29 February 2016, due primarily to the addition of 6 schools in our school network in September 2015.

Gross Profit

As a result of the foregoing, gross profit increased by 44.9% from RMB123.5 million for the six months ended 28 February 2015 to RMB179.1 million for the six months ended 29 February 2016. Our gross margin increased from 41.2% for six months ended 28 February 2015 to 47.1% for the six months ended 29 February 2016 due primarily to the increased utilization of certain schools resulting from the increase in student enrolment and the depreciation of CAD for salaries of our BC-certified teachers.

Investment and Other Income

Investment and other income consists mainly of interest income from our bank deposits and short term principal guaranteed financial products, rental income from investment properties, dividends income from available-for-sale investments and government grant. Investment and other income increased by 221.2% from RMB6.9 million for the six months ended 28 February 2015 to RMB22.3 million for the six months ended 29 February 2016.

For the six months ended 29 February 2016, bank interest income increased by RMB5.7 million and dividends income from available-for-sale investments increased by RMB2.2 million due primarily to a better utilisation of surplus cash. For the six months ended 29 February 2016, the Group also recorded a government grant of RMB8.0 million primarily from Dalian Municipal Bureau of Finance for the Company’s successful Listing while there was no government grant for the six months ended 28 February 2015.

Other Gains and Losses

Other gains and losses consist primarily of gains and losses recognized upon the disposal of property, plant and equipment and net foreign exchange gain or loss. Other gains and losses decreased from a gain of RMB1.2 million for the six months ended 28 February 2015 to a loss of RMB4.8 million for the six months ended 29 February 2016. The decrease was mainly attributable to an increase in loss on disposal of property, plant and equipment by RMB7.8 million due primarily to the demolition of certain facilities in the school campus of Tianjin (Teda).

Marketing Expenses

Marketing expenses consist mainly of commercials, and expenses for producing, printing and distributing, advertising and promotional materials, and salaries and benefits for personnel engaged in selling and marketing activities. Marketing expenses increased by 7.7% from RMB9.3 million for the six months ended 28 February 2015 to RMB10.0 million for the six months ended 29 February 2016. Marketing expenses as a percentage of revenue decreased from 3.1% for the six months ended 28 February 2015 to 2.6% for the six months ended 29 February 2016, due primarily to a decrease in advertising and promotional expenses and student placement related expenses as a percentage of revenue.

Administrative Expenses

Administrative expenses consist primarily of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, employee share options and certain professional expenses. Administrative expenses increased by 8.5% from RMB49.6 million for the six months ended 28 February 2015 to RMB53.8 million for the six months ended 29 February 2016. Administrative expenses as a percentage of revenue decreased from 16.5% for the six months ended 28 February 2015 to 14.2% for the six months ended 29 February 2016 due primarily to the reason that share-based payments decreased by RMB5.7 million.

Finance Costs

For the six months ended 28 February 2015, finance costs represented interest expenses for our bank borrowings and banking facilities. The Group repaid all its bank loans after Listing and has not raised new bank loans since then. Accordingly, finance costs decreased by 100% from RMB4.1 million for the six months ended 28 February 2015 to zero for the six months ended 29 February 2016.

Other Expenses

Other expenses consist primarily of outgoing expenses related to the investment properties and expenses related to Listing. Due largely to the reason that no further expense related to Listing was incurred after Listing, other expenses decreased from RMB7.3 million for the six months ended 28 February 2015 to RMB0.7 million for the six months ended 29 February 2016.

Change in Fair Value on Redeemable Convertible Preferred Shares

The fair value loss related to redeemable convertible preferred shares (the “**Preferred Shares**”) issued to the then pre-IPO investors decreased from RMB0.3 million for the six months ended 28 February 2015 to zero for the six months ended 29 February 2016. As all the Preferred Shares were converted into ordinary shares upon Listing, there was no change in value on Preferred Shares for the six months ended 29 February 2016.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB132.0 million for the six months ended 29 February 2016 and RMB61.1 million for the six months ended 28 February 2015. Profit before taxation as a percentage of revenue of the Group was 34.7% for the six months ended 29 February 2016, compared with 20.4% for the six months ended 28 February 2015.

Taxation

Income tax expense of the Group increased from RMB4.7 million for the six months ended 28 February 2015 to RMB7.0 million for the six months ended 29 February 2016, due mainly to an increase in assessable profit of certain subsidiaries of the Company. The effective tax rate of the Group for the six months ended 29 February 2016 and the six months ended 28 February 2015 was 5.3% and 7.7%, respectively. The decrease in the Group's effective tax rates was primarily due to the decrease in expenses related to Listing and share-based payments and an increase in profit for certain schools which are exempted from PRC EIT.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 121.7% from RMB56.4 million for the six months ended 28 February 2015 to RMB125.0 million for the six months ended 29 February 2016.

Adjusted Net Profit

Adjusted net profit was derived from the profit for the period after adjusting for those non-recurring items which are not indicative of the Group's operating performances. The following table reconciles from profit for the period to adjusted net profit for both periods:

	Six months ended	
	29 February 2016	28 February 2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	124,988	56,382
Add:		
Change in fair value on Preferred Shares	–	277
Listing expenses	–	6,552
Share-based payments	24	5,706
Government grant	(8,032)	–
Adjusted net profit (<i>Note</i>)	116,980	68,917

Adjusted net profit for the six months ended 29 February 2016 increased by RMB48.1 million or 69.7%. Adjusted net profit margin increased from 23.0% for the six months ended 28 February 2015 to 30.8% for the six months ended 29 February 2016, due primarily to the increase in overall gross margin, the increase in bank interest income and the decrease in finance costs as mentioned above.

Note: The comparative figure for the six months ended 28 February 2015 was restated after adjusting for share-based payments for consistent presentation.

Capital Expenditures

During the six months ended 29 February 2016, the Group spent RMB76.3 million for the addition of property, plant and equipment primarily related to school premises in Pinghu and Yiwu.

Liquidity, Financial Resources and Capital Structure

The following table sets forth a summary of our cash flows for the two financial periods:

	Six months ended	
	29 February	28 February
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(180,994)	(160,449)
Net cash generated from investing activities	29,969	89,244
Net cash (used in) from financing activities	(78,102)	500,594
Net (decrease) increase in cash and cash equivalents	(229,127)	429,389
Cash and cash equivalents at beginning of the period	1,022,141	380,332
Effect of foreign exchange rate changes	2,999	(192)
Cash and cash equivalents at end of the period	796,013	809,529

As at 29 February 2016, the Group's bank balances and cash amounted to RMB796.0 million, of which the majority were denominated in RMB. Bank balances and cash decreased mainly because the Group received the majority of its tuition fees for the six months ended 29 February 2016 before 31 August 2015 whereas the Group utilised the tuition fees received in advance to finance the payment of its operating expenditure for the six months ended 29 February 2016.

As at 29 February 2016, the Group did not have bank borrowings.

The Group expects that its future capital expenditures will primarily be financed by its internal resources.

Gearing Ratio

As at 29 February 2016, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity, remained at zero.

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 are denominated in foreign currencies such as CAD, HK\$ and United States dollars ("USD"). As at 29 February 2016, certain bank balances and cash and available-for-sale investments were denominated in CAD, Australian dollars, HK\$ and USD. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

As at 29 February 2016, the Group had no material contingent liabilities.

Pledge of Assets

As at 29 February 2016, the Group did not pledge any assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 29 February 2016, the Group had no material acquisitions and disposals of subsidiaries.

SIGNIFICANT INVESTMENTS HELD

As at 29 February 2016, no significant investment was held by the Group.

EMPLOYEE BENEFITS

As at 29 February 2016, the Group had 3,168 full-time employees (as at 28 February 2015: 2,736). 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 pre-IPO share option scheme, a post-IPO share option scheme and a Share Award Scheme set up for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and the relevant market conditions. Total employee remuneration (including directors' remuneration) for the six months ended 29 February 2016 amounted to approximately RMB164.3 million.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting underwriting fees and related expenses, amounted to approximately HK\$881.4 million (equivalent to approximately RMB697.4 million) which is intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 18 November 2014 and the Company's announcement dated 7 September 2015 relating to the change in use of proceeds.

As at the date of this announcement, the Company has applied the net proceeds as follows:

- approximately RMB78.8 million has been utilized towards the expansion of our school network, in particular by developing new schools on our own in major cities in China;
- approximately RMB7.2 million has been utilized towards the maintenance, renovation and upgrade of our existing schools, such as the boy's schools on our Dalian campus;
- approximately RMB64.2 million has been utilized towards the acquisition of schools in major cities in China (except for foreign national schools and preschools), the acquisition of schools outside China and the strategic investment in international school operators, to expand our school network;
- approximately RMB167.4 million has been utilized to repay our bank loans; and
- approximately RMB69.7 million has been utilized as our working capital.

The unutilized net proceeds are generally placed in licensed financial institutions as short-term deposits.

SUBSEQUENT EVENTS

- 1) Subsequent to 29 February 2016, the Company granted share awards of a total of 6,430,000 shares of the Company held under the Share Award Scheme to certain eligible employees of the Group.
- 2) Subsequent to 29 February 2016, the Group disposed of its entire equity interest in a company engaged in education industry, whose shares are listed on the stock exchange of Australia. The Group expects that the disposal of these available-for-sale investments will result in a gain for the financial year ending 31 August 2016.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK\$0.042 per share for the six months ended 29 February 2016 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company at the close of business on 18 May 2016 (Wednesday). The interim dividend is expected to be paid on or about 27 May 2016 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 29 February 2016, the register of members of the Company will be closed from 17 May 2016 (Tuesday) to 18 May 2016 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 May 2016 (Monday).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Corporate Governance Code

During the six months ended 29 February 2016, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive should not be performed by the same individual.

Mr. Shu Liang Sherman Jen performs the dual roles of both chairman and co-chief executive officer (“**Co-CEO**”), along with the other Co-CEO, Mr. Zhenwan Liu. The Board believes that by vesting the roles of both chairman and Co-CEO in Mr. Shu Liang Sherman Jen, along with the other Co-CEO, Mr. Zhenwan Liu, the Company derives the benefit of ensuring consistent leadership within our Group, which in turn enables more effective and efficient overall strategic planning for our 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 of the Company.

Compliance with the Model Code for Securities Transactions by Directors

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 29 February 2016.

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

During the six months ended 29 February 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Audit Committee

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

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 29 February 2016 and has met with the independent auditors, Deloitte Touche Tohmatsu, who have reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.mapleleaf.cn. The interim report of the Group for the six months ended 29 February 2016 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to Shareholders in due course.

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

Hong Kong, 27 April 2016

As at the date of this announcement, the Board comprises Mr. Shu Liang Sherman Jen, Mr. Zhenwan Liu, Ms. Jingxia Zhang and Mr. James William Beeke as executive Directors; Mr. Howard Robert Balloch as non-executive Director; and Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong and Mr. Lap Tat Arthur Wong as independent non-executive Directors.

* *For identification purposes only*