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 28 FEBRUARY 2017

HIGHLIGHTS

The Board has resolved to declare the payment of an interim dividend of HK$6.0 cents per share for the six months ended 28 February 2017 (for the six months ended 29 February 2016: HK$4.2 cents per share).

	Six months ended			
	28 February 2017 *RMB'000* **(unaudited)**	29 February 2016 *RMB'000* (unaudited)	**Change** *RMB'000*	**Percentage Change**
Revenue	**483,259**	380,250	**+103,009**	**+27.1%**
Gross profit	**227,357**	179,060	**+48,297**	**+27.0%**
Profit for the period	**180,655**	124,988	**+55,667**	**+44.5%**
Adjusted net profit *(Note)*	**180,285**	116,980	**+63,305**	**+54.1%**
Earnings per share				
Basic (RMB cents)	**13.55**	9.41	**+4.14**	**+44.0%**
Diluted (RMB cents)	**13.52**	9.40	**+4.12**	**+43.8%**

Note:

Adjusted net profit is derived from the profit for the period after adjusting for non-recurring items which are not indicative of the Group's operating performance, including (i) share-based payments, and (ii) government grants.

	As at the end of			
	28 February 2017	29 February 2016	**Change**	**Percentage Change**
Total number of students enrolled	**20,636**	17,980	**+2,656**	**+14.8%**

INTERIM RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017

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 28 February 2017. 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 28 FEBRUARY 2017

	NOTES	Six months ended 28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Revenue	3	**483,259**	380,250
Cost of revenue		**(255,902)**	(201,190)
Gross profit		**227,357**	179,060
Investment and other income	4	**24,393**	22,311
Other gains and losses		**27,338**	(4,829)
Marketing expenses		**(11,120)**	(10,032)
Administrative expenses		**(69,938)**	(53,828)
Finance costs		**(3,372)**	–
Other expenses		**(3,066)**	(698)
Profit before taxation		**191,592**	131,984
Taxation	5	**(10,937)**	(6,996)
Profit for the period	6	**180,655**	124,988
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(1,309)**	(198)
Change in fair value of available-for-sale investments		**–**	6,787
Other comprehensive (expense) income for the period		**(1,309)**	6,589
Total comprehensive income for the period		**179,346**	131,577
EARNINGS PER SHARE			
Basic (RMB cents)	8	**13.55**	9.41
Diluted (RMB cents)	8	**13.52**	9.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 28 FEBRUARY 2017

	NOTES	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	9	**1,507,637**	1,505,847
Prepaid lease payments		**163,904**	166,165
Investment properties	9	**341,718**	11,568
Goodwill		**12,399**	12,399
Intangible assets		**343**	462
Books for lease		**4,257**	3,187
Interest in a joint venture		**1,000**	–
Pledged bank deposits		**245,000**	242,000
		2,276,258	1,941,628
Current Assets			
Inventories		**11,657**	9,421
Deposit, prepayments and other receivables		**39,234**	37,373
Held for trading investments		**13,655**	–
Restricted cash		**1,144**	–
Bank balances and cash		**974,381**	1,237,902
		1,040,071	1,284,696
Current Liabilities			
Deferred revenue	10	**445,067**	802,848
Other payables and accrued expenses	11	**236,913**	336,972
Borrowings	12	**117,702**	–
Income tax payable		**43,123**	43,744
		842,805	1,183,564
Net Current Assets		**197,266**	101,132
Total Assets Less Current Liabilities		**2,473,524**	2,042,760

	NOTE	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Capital And Reserves			
Share capital		**8,418**	8,418
Reserves		**2,128,037**	2,013,067
		2,136,455	2,021,485
Non-Current Liabilities			
Deferred tax liabilities		**21,221**	21,275
Borrowings	*12*	**315,848**	–
		337,069	21,275
		2,473,524	2,042,760

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 ("**IAS**") 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2016.

In the current interim period, the Group has applied, for the first time, the following new International Financial Reporting Standards ("**IFRSs**"), amendments to IFRSs and IASs issued by International Accounting Standards Board that are relevant for the preparation of the Group's condensed consolidated financial statements.

IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above new IFRSs, amendments to IFRSs and IASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) service income from tuition fees and boarding fees, (ii) fees from overseas studies consulting services and study tour and educational 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, sales related tax and valued added 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 available for assessment of the performance of different services, no segment information is presented.

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

	Six months ended	
	28 February 2017	29 February 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tuition and boarding fees	**413,225**	337,938
Others	**70,034**	42,312
	483,259	380,250

4. INVESTMENT AND OTHER INCOME

	Six months ended	
	28 February 2017	29 February 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**12,841**	9,918
Rental income from investment properties	**7,010**	1,418
Government grants	**4,537**	8,032
Dividend income from available-for-sale investments	**–**	2,240
Interest income from short-term investments	**–**	701
Others	**5**	2
	24,393	22,311

5. TAXATION

	Six months ended	
	28 February 2017	29 February 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises		
Current tax:		
PRC Enterprise Income Tax ("**PRC EIT**")	**10,991**	7,255
Deferred tax:		
Current period	**(54)**	(259)
	10,937	6,996

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

No provision for Hong Kong Profits Tax was made as the Group's operations in Hong Kong had no assessable profit for either period.

Dalian Beipeng Educational Software Development Inc. ("**Beipeng Software**") is entitled to High and New Technology Enterprise status. Subject to final approval from tax bureau, Beipeng Software is eligible for a preferential enterprise income tax rate of 15% for the calendar year of 2017.

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 Teda Maple Leaf International School, Wuhan Maple Leaf International School, Wuhan Maple Leaf School, Zhenjiang Maple Leaf International School, Chongqing Maple Leaf International School, Tianjin Huayuan Maple Leaf International School, Inner Mongolia Ordos Maple Leaf International School, Shanghai Maple Leaf International School, Yiwu Maple Leaf International School Affiliated School and Zhejiang Yiwu Maple Leaf International School have been granted enterprise income tax exemption in respect of their tuition income by the relevant local tax authorities.

6. PROFIT FOR THE PERIOD

	Six months ended	
	28 February 2017	29 February 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (*Note*)		
– salaries and other allowances	**195,699**	158,121
– retirement benefit scheme contributions	**8,539**	6,202
– share-based payments	**4,167**	24
Total staff costs	**208,405**	164,347
Gross rental income from investment properties	**(7,010)**	(1,418)
Less:		
Direct operating expenses (including depreciation) incurred for investment properties that generated rental income during the period (included in other expenses)	**3,066**	684
	(3,944)	(734)
Depreciation of property, plant and equipment	**24,571**	20,057
Depreciation of investment properties	**1,899**	428
Release of prepaid lease payments	**2,177**	2,196
Amortisation of books for lease	**1,360**	1,252

Note: Staff costs of approximately RMB157,887,000, RMB3,176,000 and RMB47,343,000 (for the six months ended 29 February 2016: RMB122,862,000, RMB2,661,000 and RMB38,824,000) were included in the cost of revenue, marketing expenses and administrative expenses respectively for the current interim period.

7. DIVIDENDS

During the current interim period, a final dividend of HK$5.8 cents per share in respect of the year ended 31 August 2016 was paid to shareholders. Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HK$6.0 cents per share in respect of the six months ended 28 February 2017 (2016: HK$4.2 cents) will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 16 May 2017.

8. EARNINGS PER SHARE

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

	Six months ended	
	28 February 2017	29 February 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**180,655**	124,988

	Six months ended	
	28 February 2017	29 February 2016
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,333,176**	1,328,600
Effect of dilutive potential ordinary shares:		
Share options	**188**	779
Share Award Scheme	**3,303**	–
	3,491	779
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,336,667**	1,329,379

The number of shares adopted in the calculation of the basic earnings per share for the six months ended 28 February 2017 has been arrived at after eliminating the ungranted or unvested shares of the Company held under the Company's share award scheme.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group disposed of certain equipment with an aggregate carrying amount of approximately RMB4,049,000 (for the six months ended 29 February 2016: RMB7,995,000) for cash proceeds of approximately RMB1,087,000 (for the six months ended 29 February 2016: RMB10,171,000), resulting in a gain on disposal of approximately RMB866,000 (a loss for the six months ended 29 February 2016: RMB7,824,000).

An aggregate carrying amount of RMB20,000,000 in respect of certain buildings was deducted having regard to the government grant received during the current interim period (for the six months ended 29 February 2016: nil). In addition, the Group paid approximately RMB62,119,000 (for the six months ended 29 February 2016: RMB76,303,000) on addition of property, plant and equipment.

During the current interim period, the Group acquired a property in Singapore with an aggregate carrying amount of approximately Singapore Dollars ("**S$**") 67,883,000 (equivalent to approximately RMB333,685,000) for a cash consideration of S$67,303,000 (equivalent to approximately RMB330,833,000) (for the six months ended 29 February 2016: nil). The property is currently leased to a third party and therefore categorised as an investment property.

10. DEFERRED REVENUE

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Tuition and boarding fees	**428,172**	758,990
Others	**16,895**	43,858
	445,067	802,848

11. OTHER PAYABLES AND ACCRUED EXPENSES

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Other tax payables	**10,332**	15,705
Payables for purchase of property, plant and equipment	**52,422**	88,066
Payables for purchase of goods	**1,404**	4,412
Miscellaneous expenses received from students *(Note)*	**105,564**	159,107
Deposits received from students	**20,975**	20,339
Accrued payroll	**10,943**	14,926
Prepayment from lessee	**105**	107
Accrued operating expenses	**1,653**	1,807
Payable for land use right	**3,000**	3,000
Other payables	**30,515**	29,503
	236,913	336,972

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

12. BORROWINGS

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Secured bank borrowings	**433,550**	–
Less: Amount due within one year – shown under current liabilities	**117,702**	–
Amount shown under non-current liabilities	**315,848**	–

During the current interim period, the Group obtained variable interest rate bank loans secured by bank deposits and an investment property. The effective interest rate was 2.32% per annual.

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 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 Chinese educational authorities respectively allowing our graduates to receive both a fully accredited BC diploma and a Chinese diploma. We target 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 2016/2017 school year, 10 new schools were added to our school network. In September 2016, the Group opened a high school in Kamloops, BC, Canada; a middle school (for students from grade 7 to 9), an elementary school (for students from grade 1 to 6) and a preschool in Pinghu, Zhejiang Province; a middle school and an elementary school in Xi’an, Shaanxi Province; a middle school and an elementary school in Huai’an, Jiangsu Province; a preschool in Tianjin; and a foreign national school in Yiwu, Zhejiang Province.

As at 28 February 2017, the Group had 56 schools located in 15 cities in China and Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Pinghu, Xi’an, Huai’an and Kamloops. The following table shows a summary of our schools by category as at the end of the two periods:

	At 28 February 2017	At 29 February 2016
High schools	**9**	8
Middle schools	**15**	12
Elementary schools	**14**	11
Preschools	**15**	13
Foreign national schools	**3**	2
Total	**56**	46

Revenue

	For the six months ended			
	28 February 2017 *RMB'000*	**% of Total**	29 February 2016 *RMB'000*	% of Total
Tuition fees				
– High school	**224,212**	**46.4**	191,034	50.2
– Middle school	**70,591**	**14.6**	58,797	15.5
– Elementary school	**92,790**	**19.2**	67,244	17.7
– Preschool	**16,225**	**3.4**	12,327	3.2
– Foreign national school	**9,407**	**1.9**	8,536	2.2
Total of tuition fees	**413,225**	**85.5**	337,938	88.8
Textbooks	**20,785**	**4.3**	19,856	5.2
Study tour and educational vacation activities	**20,692**	**4.3**	15,597	4.1
Other educational services	**1,161**	**0.2**	584	0.2
Others	**27,396**	**5.7**	6,275	1.7
Total revenue	**483,259**	**100**	380,250	100

For the six months ended 28 February 2017, tuition fees remained our major revenue contributor, accounting for over 85.5% of total revenue. Tuition fees generally include boarding fees, which are mainly paid 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 28 February 2017, tuition fees increased by RMB75.3 million, or 22.3%, mainly due to an increase in overall student enrollment and an increase in tuition fee rates of certain schools with effect from September 2016.

Tuition fees from our high schools increased by 17.4%, while tuition fees from middle and elementary schools increased by 20.1% and 38.0% respectively. The positive performance in our middle and elementary schools was mainly attributable to the opening of 3 new middle schools and 3 new elementary schools in September 2016, while the number of students in our schools in Yiwu grew significantly.

Revenue from others principally comprises revenue from self-operated supermarkets in our school campuses. We started operating supermarkets in our schools selling food and miscellaneous school supplies from the second semester of the 2014/2015 school year. Accordingly, revenue from others increased significantly for the six months ended 28 February 2017.

Student Enrollments

	At 28 February 2017	At 29 February 2016	Change	Change Percentage
Total number of students enrolled	**20,636**	17,980	**+2,656**	**+14.8%**

The total number of students increased due to (i) an increase in student enrollments at our schools in Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan and Yiwu and (ii) the opening of new schools in Pinghu, Xi'an, Huai'an and Kamloops, with effect from September 2016. In particular, our schools in Tianjin (Huayuan) and Yiwu experienced a remarkable growth in student enrollments for the six months ended 28 February 2017.

Average Tuition Fee per Student

	For the six months ended	
	28 February 2017	29 February 2016
Tuition fees (RMB'000)	**413,225**	337,938
Average student enrollments^	**19,985**	17,029
Average tuition fee per student# (RMB'000)	**20.7**	19.8

^ *Average student enrollments is calculated by taking 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 by average student enrollment.*

Average tuition fee per student increased by approximately 4.5% due to increased tuition fee rates at our schools located at Wuhan, Tianjin and Shanghai with effect from the 2016/2017 school year. Increased tuition fee rates only apply to new students enrolled.

Utilization of Our Schools

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

	At 28 February 2017	At 29 February 2016
Total number of students enrolled	**20,636**	17,980
Total capacity	**35,340**	30,040
Overall utilization	**58.4%**	59.9%

Total capacity increased primarily due to the opening of schools in Pinghu, Xi'an, Huai'an and Kamloops in September 2016. The insignificant decrease in our overall utilization rate was due to a significant increase in our capacity due to the opening of 10 new schools which added 5,300 additional beds/desks.

Our Teachers

	At 28 February 2017	At 29 February 2016
Total number of teachers	**1,999**	1,762

Our student-teacher ratio remained relatively stable at below 11:1. The total number of teachers increased mainly because more PRC-certified teachers were recruited for the opening of the 3 middle schools and 3 elementary schools at the commencement of the 2016/2017 school year.

OUTLOOK

Student Enrollment

As at 31 March 2017, our total student enrollments were 22,693. Approximately 35% of our current students are high school students.

On 5 February 2017, the Group entered into sale and purchase agreements to acquire majority control of Hainan Science and Education Group Co., Ltd* (the "**Target Company**"), owner of Hainan National Science Park Experimental School* (the "**Target School**"), a school located in Haikou City. Our 31 March 2017 enrollment statistics did not take into account over 3,300 students at the Target School. Taking into account these students, our total student enrollments would have been over 26,000, which is beyond our student enrollment target for the 2016/2017 school year as laid down under the Group's fifth five-year plan.

The Group believes that establishing a 'through-train' for students from preschool to high school can improve the efficiency of our school system, while producing students that are better prepared for the BC diploma in our high schools and for further studies at international universities. In order to achieve this, the Group will continue to open more middle and elementary schools in second and third tier cities in China, which are large enough to serve as district schools, as feeders for our high schools. Therefore, the Group expects that the proportion of our students in middle and elementary school will continue to grow.

New School Openings in the 2017/2018 School Year

The Group has a strong pipeline of new schools in China which will open in the 2017/2018 school year. In particular, the Group will open 15 new schools (2 high schools, 4 middle schools, 5 elementary schools, and 4 preschools) in 5 additional cities in China and Canada, namely Huzhou in Zhejiang Province, Weifang in Shandong Province, Liangping in Chongqing, Yancheng in Jiangsu Province and Richmond. Furthermore, the Group plans to expand our existing school network in Dalian and Xi'an. These new schools and campuses are expected to add up to 7,100 new spaces to our total capacity.

Expansion of Our Established Schools in the 2017/2018 School Year

We continue to see high demand for our established schools and will look to expand a number of our schools. In 2017/2018 school year, we expect to increase the capacity of our schools in Chongqing and Tianjin Teda by 1,500 and 600 respectively. We expect to expand our school in Wuhan during the 2018/2019 school year.

Acquisition in Haikou, China

On 5 February 2017, the Group entered into agreements with third parties independent of the Company to purchase in aggregate 47.5% of the equity interest (the "**Acquisition**") in the Target Company for an aggregate consideration of RMB77,915,000 (equivalent to approximately HK$88,190,000), which will be satisfied by the allotment and issue of an aggregate of 18,636,733 consideration shares by the Company under the general mandate at an issue price of HK$4.732. On 16 November 2016, the Group entered into agreement with a third party independent of the Company to acquire a 4.9% equity interest in the Target Company for a cash consideration of RMB7,497,000 (equivalent to approximately HK$8,486,000) (the "**4.9% Transaction**"). Upon completion of the 4.9% Transaction and the Acquisition, the Target Company will be owned as to 52.4% by the Group and the Target Company will become a consolidated affiliated entity of the Company. As at the date of this announcement, the Acquisition had not yet been completed.

The Target Company is a company established in the PRC with limited liability. which is principally engaged in the operation of the Target School, a K-12 boarding school located in Haikou City in Hainan Province, which is a private non-enterprise organisation wholly-owned by the Target Company. The Target School currently has over 3,300 students. The Target School premises, comprising over 50 classrooms including multi-purpose rooms such as science labs, arts studios and multimedia rooms, occupy a site area of approximately 54,057 square metres and a floor area of approximately 52,696 square metres.

As mentioned above, the Group is principally engaged in the operation of international schools for K-12 education in the PRC. Upon completion of the 4.9% Transaction and the Acquisition, subject to obtaining the necessary permits/approvals from the relevant governmental authorities, the Group will assume operation of the Target School which will be the Group's first Maple Leaf school in Hainan Province. The Target School will be re-named Hainan Maple Leaf International School. This acquisition provides an opportunity for the Group to establish its strategic presence in a new province and expand its school network into the south of the PRC. Furthermore, the Target School has been operating in Hainan Province since 1994 and has established a reputation in the local community. As the Target Company will become a consolidated affiliated entity of the Company upon completion of the 4.9% Transaction and the Acquisition, the addition of the Target School to the Group's school network will improve the profitability of Group and strengthen its position in the education industry. The Group expects to operate the Target School as an international high school teaching a BC high school diploma curriculum, commencing in the 2017/2018 school year. For details of the Acquisition, please refer to the Company's announcements dated 5 February 2017, 24 February 2017 and 17 April 2017.

International Expansion

Maple Leaf is actively exploring opportunities to expand its school network into cities outside the PRC where our students wish to study and into area where local students may benefit from a bilingual Maple Leaf education. Our first school in Canada, Maple Leaf University School – Thompson Rivers University ("**MLUS-TRU**") was opened on the campus of Thompson Rivers University in September 2016. Students at MLUS-TRU benefit from the Maple Leaf bilingual curriculum as well as access to the excellent facilities of Thompson Rivers University. We expect to open a second Maple Leaf University School on the campus of Kwantlen Polytechnic University in Richmond, BC, commencing in September 2017/2018 school year.

Upon graduation from our high schools, Maple Leaf students are admitted into a wide range of international universities principally in Canada, Australia, the United States, the United Kingdom and Switzerland. As interest to study in Australia among our students has increased rapidly, in April 2017 we announced signing an MOU to establish the first Maple Leaf University School in Australia. Maple Leaf University School – University of South Australia ("**MLUS-UniSA**") is expected to open in 2018 at the Magill campus of the University of South Australia ("**UniSA**"). UniSA is one of the leading universities in Australia and is ranked among the Top 50 young universities worldwide by both QS and Times Higher Education. MLUS-UniSA is expected to apply to be accredited as an IB World School, and is expected to be Maple Leaf's first school teaching the International Baccalaureate curriculum.

In September 2016, Maple Leaf announced the acquisition of a 7,569 square metre school campus at 11 Hillside Drive ("**Hillside**") in Singapore. Singapore is recognised as an important educational hub, and is the largest market for international schools in South East Asia. Hillside is well located in central Singapore, and is 450m from the Serangoon Stadium and approximately 1km from Kovan MRT. The campus is currently leased to a third party. When the campus is vacated by the tenant, Maple Leaf intends to open its first school in South East Asia.

University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. As of April 2017, 1,857 Maple Leaf high school students of the class of 2017 had received over 4,400 offers from universities in 12 countries. The quality of our university placements continues to improve, as of April 2017, 43 of our students had received offers from World Top 10 universities including prestigious University College London and Imperial College.

Grant of Share Options and Share Awards

The Board realizes the importance of the 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 (the "**Share Award Scheme**"). The Board believes that the commitment of our staff and teachers to Maple Leaf is encouraged by sharing our success with our staff and increasing the number of employee shareholders.

Subsequent to the end of the current interim period, the Board has resolved to grant share awards of a total of 5,490,000 and 80,896 shares of the Company under the Share Award Scheme respectively to certain eligible employees and consultant of the Group, including our teachers, with certain vesting conditions. The Company will continue to make use of these schemes to attract, retain and motivate our Directors, senior management and employees.

Conclusion

As at 28 February 2017, deferred revenue amounted to RMB445.1 million, providing an indication of the amount that will be recognized as tuition revenue for the second half of the year ending 31 August 2017. It is also expected that additional revenue will be recorded from study tours and educational vacation activities, summer classes and graduation consulting services in the second half of the year ending 31 August 2017.

Maple Leaf's growth is driven by these principal sources: (i) organic growth in our enrollments; (ii) tuition fee increment; (iii) expansion of our established schools; (iv) openings of new schools; and (v) acquisitions of schools in both China and overseas.

We continue to employ a capital efficient expansion strategy in our openings of new schools. Of the 10 new Maple Leaf schools opened in the first half of the 2016/2017 school year, 7 campuses were either leased or asset-light schools jointly developed with local partners. All 15 new schools scheduled to be opened in 2017/2018 school year will be asset-light.

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, fees for our study tour and educational vacation activities, other educational services and revenue from other sources relating to the needs of our students including revenue from the self-operated supermarkets in our school campuses.

Total revenue of the Group increased by RMB103.0 million, or 27.1%, from RMB380.3 million for the six months ended 29 February 2016 to RMB483.3 million for the six months ended 28 February 2017. The increase was primarily due to the increase in revenue from tuition fees by RMB75.3 million and the increase in revenue from others by RMB27.7 million.

Revenue from tuition fees increased by 22.3% from RMB337.9 million for the six months ended 29 February 2016 to RMB413.2 million for the six months ended 28 February 2017, due largely to the increase in student enrollment by 14.8%and the increase in tuition fee rates of certain schools with effect from September 2016. Revenue from others increased mainly because the Group started operating garment factory from the second half of the 2015/2016 school year.

Cost of Revenue

Our cost of revenue primarily consists 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 study tour and educational vacation activities overseas. Other costs include daily operating expenses of our schools and facilities, including the cost of furniture at our schools and the cost of maintaining our facilities.

Cost of revenue increased by RMB54.7 million, or 27.2%, from RMB201.2 million for the six months ended 29 February 2016 to RMB255.9 million for the six months ended 28 February 2017. The increase was largely due to an increase in teaching staff costs by RMB33.9 million, an increase in depreciation and amortisation by RMB1.2 million and an increase in other costs by RMB15.8 million.

Teaching staff costs increased by 27.5% from RMB122.9 million for the six months ended 29 February 2016 to RMB156.7 million for the six months ended 28 February 2017, due primarily to an increase in the number of our teachers from 1,762 as at 29 February 2016 to 1,999 as at 28 February 2017. Depreciation and amortisation increased from RMB21.4 million for the six months ended 29 February 2016 to RMB22.6 million for the six months ended 28 February 2017, primarily due to additional deprecation charge for our schools in Pinghu which were opened in September 2016. Other costs increased from RMB44.0 million for the six months ended 29 February 2016 to RMB59.8 million for the six months ended 28 February 2017, primarily due to an increase in the cost of sales of goods and educational materials to students.

Gross Profit

As a result of the foregoing, gross profit increased by 27.0% from RMB179.1 million for the six months ended 29 February 2016 to RMB227.4 million for the six months ended 28 February 2017. Our gross margin decreased slightly from 47.1% for six months ended 29 February 2016 to 47.0% for the six months ended 28 February 2017 due primarily to an increase in share-based payments expenses for teachers.

Investment and Other Income

Investment and other income consists mainly of interest income from our bank deposits and short-term wealth management products, rental income from investment properties, dividend from available-for-sale investments and government grants. Investment and other income increased by 9.3%from RMB22.3 million for the six months ended 29 February 2016 to RMB24.4 million for the six months ended 28 February 2017.

For the six months ended 28 February 2017, bank interest income increased by RMB2.9 million primarily due to better utilisation of surplus cash. Dividend income from available-for-sale investments decreased by RMB2.2 million due to a divestment completed in the previous period.

Other Gains and Losses

Other gains and losses consist primarily of gains on the extinguishment of other payables and foreign exchange gains and losses. Other gains and losses increased from a loss of RMB4.8 million for the six months ended 29 February 2016 to a gain of RMB27.3 million for the six months ended 28 February 2017. The increase was mainly attributable to a gain on the extinguishment of other payables of RMB16.3 million.

Marketing Expenses

Marketing expenses mainly consist 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 10.8% from RMB10.0 million for the six months ended 29 February 2016 to RMB11.1 million for the six months ended 28 February 2017. Marketing expenses as a percentage of revenue decreased from 2.6% for the six months ended 29 February 2016 to 2.3% for the six months ended 28 February 2017, primarily due 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, employee share options and certain professional expenses. Administrative expenses increased by 29.9% from RMB53.8 million for the six months ended 29 February 2016 to RMB69.9 million for the six months ended 28 February 2017. Administrative expenses as a percentage of revenue increased from 14.2% for the six months ended 29 February 2016 to 14.5% for the six months ended 28 February 2017, primarily due to an increase in staff costs of RMB8.5 million.

Finance Costs

For the six months ended 28 February 2017, finance costs mainly represented interest expense for secured bank borrowings. Finance costs increased from nil for the six months ended 29 February 2016 to RMB3.4 million for the six months ended 28 February 2017 primarily due to new bank borrowings.

Other Expenses

Other expenses increased from RMB0.7 million for the six months ended 29 February 2016 to RMB3.1 million for the six months ended 28 February 2017 due largely to depreciation expenses in respect of the school campus acquired in Singapore during the current period.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB191.6 million for the six months ended 28 February 2017, compared with RMB132.0 million for the six months ended 29 February 2016. Profit before taxation as a percentage of revenue was 39.6% for the six months ended 28 February 2017, compared with 34.7% for the six months ended 29 February 2016.

Taxation

Income tax expense of the Group increased from RMB7.0 million for the six months ended 29 February 2016 to RMB10.9 million for the six months ended 28 February 2017, 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 28 February 2017 and the six months ended 29 February 2016 was 5.7% and 5.3% respectively. The increase in the Group's effective tax rate was primarily due to share-based payments expenses and an increase in profit generated from sales of goods and educational materials to students which are not exempted from PRC EIT.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 44.5% from RMB125.0 million for the six months ended 29 February 2016 to RMB180.7 million for the six months ended 28 February 2017.

Adjusted Net Profit

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

	Six months ended	
	28 February 2017	29 February 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**180,655**	124,988
Add:		
Share-based payments	**4,167**	24
Less:		
Government grants	**(4,537)**	(8,032)
Adjusted net profit	**180,285**	116,980

Adjusted net profit for the six months ended 28 February 2017 increased by RMB63.3 million or 54.1%. Adjusted net profit margin increased from 30.8% for the six months ended 29 February 2016 to 37.3% for the six months ended 28 February 2017, due primarily to the increase in revenue and decrease in marketing expenses as mentioned above.

Capital Expenditures

During the six months ended 28 February 2017, the Group spent RMB330.8 million for the acquisition of a school campus in Singapore.

Liquidity, Financial Resources and Capital Structure

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

	Six months ended	
	28 February 2017	29 February 2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(219,994)**	(180,994)
Net cash generated from investing activities	**(407,238)**	29,969
Net cash from (used in) financing activities	**360,956**	(78,102)
Net decrease in cash and cash equivalents	**(266,276)**	(229,127)
Cash and cash equivalents at the beginning of the period	**1,237,902**	1,022,141
Effect of foreign exchange rate changes	**2,755**	2,999
Cash and cash equivalents at end of the period	**974,381**	796,013

As at 28 February 2017, the Group's bank balances and cash amounted to RMB974.4 million, of which the majority were denominated in RMB. Bank balances and cash decreased mainly because the Group utilised the tuition fees received in advance, the majority of which was received before 31 August 2016, to finance its operating expenditure for the six months ended 28 February 2017.

As at 28 February 2017, the Group's bank borrowings were RMB433.6 million all of which were secured by the Group's bank deposits or investment property.

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

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 CAD, HK$, S$ and United States Dollars ("**USD**"). As at 28 February 2017, certain bank balances and cash and liabilities were denominated in CAD, HK$, S$ and USD. The Group did not enter into any financial arrangement for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

As at 28 February 2017, the Group had no material contingent liabilities.

Pledge of Assets

As at 28 February 2017, the Group pledged total bank deposits of RMB245 million and certain investment property with an aggregate carrying amount of RMB331 million to certain licensed banks for certain bank facilities in the amount of RMB433.6 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 6 September 2016, the Group completed the acquisition of 100% of the issued share capital of Lucrum Development (Singapore) Pte. Limited ("**Lucrum Development**") for the consideration of S$67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party which was fully settled by bank borrowings denominated in S$. The principal asset of Lucrum Development (subsequently renamed as Maple Leaf Education Hillside Pte. Limited) is a school property located at 11 Hillside Drive in Singapore with a site area of 7,568.6 square metres which is currently leased to an independent third party K-12 school operator ("**the Tenant**"). When the school property is vacated by the Tenant, Maple Leaf intends to open its first school in Singapore.

During the year, the Group entered into agreements with third parties independent of the Company to purchase equity interests in the Target Company. For details, please refer to the section headed "Acquisition in Haikou, China" above.

Save as disclosed above the Group had no material acquisitions and disposals of subsidiaries during the six months ended 28 February 2017.

SIGNIFICANT INVESTMENTS HELD

As at 28 February 2017, no significant investment was held by the Group.

EMPLOYEE BENEFITS

As at 28 February 2017, the Group had 3,717 full-time employees (as at 29 February 2016: 3,168). 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, the financial performance of the Group and the relevant market conditions. Total employee remuneration (including directors' remuneration) for the six months ended 28 February 2017 amounted to approximately RMB208.4 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 RMB145.2 million has been utilized towards the expansion of our school network, in particular by developing new schools in major cities in China;

- approximately RMB52.2 million has been utilized towards the maintenance, renovation and upgrade of our existing schools, such as the boy's school campus in Dalian;

- 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

Subsequent to 28 February 2017, the Company granted 5,490,000 and 80,896 shares of the Company held by the trustee under the Share Award Scheme to certain eligible employees of the Group and Queenswood International Education Services Inc., the consultant of the Group, respectively.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK$6.0 cents per share for the six months ended 28 February 2017 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company at the close of business on 16 May 2017 (Tuesday). The interim dividend is expected to be paid on or about 26 May 2017 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 28 February 2017, the register of members of the Company will be closed from 12 May 2017 (Friday) to 16 May 2017 (Tuesday), 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 11 May 2017 (Thursday).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Corporate Governance Code

During the six months ended 28 February 2017, 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 chairman and chief executive officer ("**CEO**"). The Board believes that by vesting the roles of both chairman and CEO in Mr. Shu Liang Sherman Jen, 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 within the Company.

Compliance with the Model Code for Securities Transactions by Directors

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 28 February 2017.

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

During the six months ended 28 February 2017, 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 on 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. 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 28 February 2017 and has met with the independent auditors, Deloitte Touche Tohmatsu, who has 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 and internal control adopted by the Company 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 28 February 2017 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, 25 April 2017

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; 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*