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China Maple Leaf Educational Systems Limited
中國楓葉教育集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1317)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2017

HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of HK$8.6 cents (2016: HK$5.8 cents) per share for the year ended 31 August 2017.

	Year ended 31 August			
	2017	2016	**Change**	**Percentage**
	RMB'000	*RMB'000*	*RMB'000*	**Change**
Revenue	**1,083,182**	829,770	+253,412	+30.5%
Gross profit	**539,851**	401,741	+138,110	+34.4%
Profit for the year	**413,723**	307,564	+106,159	+34.5%
Adjusted net profit*	**427,964**	303,720	+124,244	+40.9%
Basic earnings per share *(RMB cents)*	**30.6**	23.1	+7.5	+32.5%

* Adjusted net profit was derived from the profit for the year after adjusting for those items which are not indicative of the Group's operating performances, including (i) a government grant for the year ended 31 August 2017, (ii) a gain on disposal of short term investment for the year ended 31 August 2017, and (iii) share-based payments.

	As at the end of school year			**Percentage**
	2016/2017	2015/2016	**Change**	**Change**
Total number of students enrolled	**26,088**	19,334	+6,754	+34.9%

	As at 31 August			
	2017	2016	**Change**	**Percentage**
	RMB'000	*RMB'000*	*RMB'000*	**Change**
Bank balances and cash	**1,649,296**	1,237,902	+411,394	+33.2%
Deferred revenue	**1,008,348**	802,848	+205,500	+25.6%

ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 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 audited consolidated annual results of the Group for the year ended 31 August 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**1,083,182**	829,770
Cost of revenue		**(543,331)**	(428,029)
Gross profit		**539,851**	401,741
Investment and other income	*4*	**45,039**	32,426
Other gains and losses	*5*	**48,668**	40,754
Marketing expenses		**(29,547)**	(26,042)
Administrative expenses		**(155,392)**	(122,989)
Finance costs		**(7,957)**	–
Profit before taxation		**440,662**	325,890
Taxation	*6*	**(26,939)**	(18,326)
Profit for the year	*7*	**413,723**	307,564
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investments		**–**	(8,184)
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		**–**	14,301
Exchange difference arising on the translation of foreign operation		**(3,402)**	838
Other comprehensive (expense) income for the year, net of income tax		**(3,402)**	6,955
Total comprehensive income for the year		**410,321**	314,519
Profit for the year attributable to owners of the Company		**410,476**	307,564
Profit for the year attributable to non-controlling interest		**3,247**	–
		413,723	307,564
Total comprehensive income attributable to:			
Owners of the Company		**407,074**	314,519
Non-controlling interest		**3,247**	–
		410,321	314,519

EARNINGS PER SHARE

Basic *(RMB cents)*	*9*	**30.63**	23.14
Diluted *(RMB cents)*	*9*	**30.57**	23.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Non-current Assets			
Property, plant and equipment		**1,814,438**	1,505,847
Prepaid lease payments		**203,591**	166,165
Investment properties	*10*	**337,798**	11,568
Goodwill		**60,464**	12,399
Intangible assets		**7,167**	462
Books for lease		**3,222**	3,187
Interest in a joint venture		**1,000**	–
Pledged bank deposits	*11*	**245,000**	242,000
		2,672,680	1,941,628
Current Assets			
Inventories		**18,205**	9,421
Deposit, prepayments and other receivables		**76,737**	37,373
Bank balances and cash	*12*	**1,649,296**	1,237,902
		1,744,238	1,284,696
Current Liabilities			
Deferred revenue	*13*	**1,008,348**	802,848
Other payables and accrued expenses	*14*	**382,629**	336,972
Income tax payable		**58,455**	43,744
Borrowings	*15*	**116,981**	–
		1,566,413	1,183,564
Net Current Assets		**177,825**	101,132
Total Assets Less Current Liabilities		**2,850,505**	2,042,760
Capital And Reserves			
Share capital		**8,549**	8,418
Reserves		**2,420,638**	2,013,067
Equity attributable to owners of the Company		**2,429,187**	2,021,485
Non-controlling interest		**72,331**	–
Total Equity		**2,501,518**	2,021,485
Non-Current Liabilities			
Deferred tax liabilities		**41,822**	21,275
Borrowings	*15*	**307,165**	–
		348,987	21,275
		2,850,505	2,042,760

1. GENERAL

China Maple Leaf Educational Systems Limited (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 are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands ("**BVI**") and its ultimate controlling party is Mr. Sherman Jen, who is also the Chairman of the board and Chief Executive Officer of the Company. The address of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is Maple Leaf Educational Park, 6 Central Street, Jinshitan National Tourist Area, Dalian, Liaoning Province 116650, the People's Republic of China ("**PRC**").

The Group operates a network of bilingual private schools and preschools in the PRC under the "Maple Leaf" brand, focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education within the PRC.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs, amendments to IFRSs and International Accounting Standards ("**IASs**") issued by International Accounting Standards Board ("**IASB**") for the first time in the current year:

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 amendments to IFRSs and IASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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 value added tax.

The Group is mainly engaged in international school education in the PRC. The Group's chief operating decision maker ("**CODM**") 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:

	2017	2016
	RMB'000	*RMB'000*
Tuition and boarding fees	**877,596**	694,780
Others	**205,586**	134,990
	1,083,182	829,770

Major customers

No single customer contributes 10% or more of total revenue of the Group for the years ended 31 August 2017 and 2016.

Geographical information

The Group primarily operates in the PRC. Substantially most of the non-current assets of the Group are located in the PRC.

4. INVESTMENT AND OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income from pledged bank deposits and term deposits	**23,848**	17,453
Rental income from investment properties	**14,124**	2,761
Government grant	**5,906**	8,032
Dividend income from short term investment	**140**	3,466
Interest income from short term investment	**–**	701
Others	**1,021**	13
	45,039	32,426

5. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Reversal of other payables	**38,915**	18,866
Gain on disposal of short term investment	**3,497**	14,301
Net foreign exchange gain	**2,601**	15,384
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	**827**	(8,052)
Others	**2,828**	255
	48,668	40,754

6. TAXATION

	2017	2016
	RMB'000	*RMB'000*
The charge comprises		
PRC Enterprise Income Tax ("**EIT**")	**27,216**	18,639
Deferred tax	**(277)**	(313)
	26,939	18,326

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**440,662**	325,890
Tax at PRC EIT rate of 25%	**110,165**	81,472
Tax effect of preferential tax rate granted	**(4,072)**	–
Tax effect of tax loss not recognised	**3,738**	2,142
Utilisation of tax loss previously not recognised	**(1,014)**	(1,278)
Tax effect of income not taxable for tax purposes	**(209,459)**	(168,893)
Tax effect of expenses not deductible for tax purposes	**127,581**	104,883
Tax charge for the year	**26,939**	18,326

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

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

Beipeng Software is subject to the PRC EIT rate of 25% for the calendar year of 2016. Beipeng Software is entitled to High and New Technology Enterprise status starting from the calendar year of 2017. Beipeng Software is eligible for a preferential enterprise income tax rate of 15% starting from 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 (the "**Dalian High 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, Shanghai Maple Leaf International School, Yiwu Maple Leaf International School affiliated School, Zhejiang Yiwu Maple Leaf International School, Hainan Maple Leaf International School, Henan Maple Leaf International School and Yancheng Maple Leaf International School have been granted enterprise income tax exemption for the tuition income from relevant local tax bureaus. During the year ended 31 August 2017, non-taxable tuition income was RMB837,835,000 (2016: RMB675,573,000), and the related expense of RMB364,867,000 (2016: RMB295,986,000) was not deductible.

As at 31 August 2017, the Group had unused tax loss of RMB29,106,000 (2016: RMB16,638,000) available for offset against future taxable profits. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future taxable profit streams. As of 31 August 2017, tax losses of RMB29,106,000 (2016: RMB16,638,000) will expire in various years before 2022 (2016: 2021).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,480,218,000 at 31 August 2017 (2016: RMB1,035,441,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	**408,434**	330,417
– retirement benefit scheme contributions	**19,983**	15,051
– share-based payments	**23,644**	18,489
Total staff costs	**452,061**	363,957
Gross rental income from investment properties	**(14,124)**	(2,761)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	**2,205**	1,230
Net rental income	**(11,919)**	(1,531)
Depreciation of property, plant and equipment	**47,396**	42,257
Depreciation of intangible assets	**595**	238
Depreciation of investment properties	**3,795**	733
Amortisation of prepaid lease payments	**4,771**	4,353
Amortisation of books for lease	**2,610**	2,543
Auditors' remuneration	**2,949**	2,683

8. DIVIDENDS

During the year ended 31 August 2017, a final dividend of HK$5.8 cents (equivalent to approximately RMB5.1 cents) per share (total dividend of RMB69,792,000) in respect of the year ended 31 August 2016 and an interim dividend of HK$6.0 cents (equivalent to approximately RMB5.3 cents) per share (total dividend of RMB73,109,000) in respect of the six months period ended 28 February 2017 were paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

During the year ended 31 August 2016, a final dividend of HK$4.3 cents (equivalent to approximately RMB3.6 cents) per share and a special dividend of HK$2.7 cents (equivalent to approximately RMB2.3 cents) per share (total dividend of RMB79,915,000) in respect of the year ended 31 August 2015 and an interim dividend of HK$4.2 cents (equivalent to approximately RMB3.5 cents) per share (total dividend of RMB47,977,000) in respect of the six months period ended 29 February 2016 were paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

A final dividend of HK$8.6 cents (equivalent to approximately RMB7.2 cents) per share in respect of the year ended 31 August 2017 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 August 2017 and 2016 were based on the following data:

	2017 ***RMB'000***	2016 *RMB'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of company)	**410,476**	307,564

	2017 **Number of shares '000**	2016 Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,340,092**	1,329,293
Effect of dilutive potential ordinary shares:		
Share options	**198**	830
Share award scheme	**2,432**	1,838
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,342,722**	1,331,961

The number of shares adopted in the calculation of the basic earnings per share for the year ended 31 August 2017 and 2016 has been arrived after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

10. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 September 2015	26,057
Transfer to property, plant and equipment	(7,382)
At 31 August 2016	18,675
Additions	333,685
Exchange adjustments	(3,676)
At 31 August 2017	348,684
DEPRECIATION	
At 31 August 2015	9,061
Provided for the year	733
Transfer to property, plant and equipment	(2,687)
At 31 August 2016	7,107
Provided for the year	3,795
Exchange adjustments	(16)
At 31 August 2017	10,886
CARRYING VALUES	
At 31 August 2017	337,798
At 31 August 2016	11,568

The fair value of the Group's investment properties at 31 August 2017 was RMB363,582,000 (2016: RMB33,000,000). The fair value has been arrived at based on a valuation carried out by Debenham Tie Leung Limited ("**DTZ**") and Savills Valuation And Professional Service (S) Pte Ltd ("**Savills**"). DTZ is a member of the Hong Kong Institute of Surveyors, Savills is a member of the Singapore Institute of Valuers and Surveyors. Both DTZ and Savills are independent valuers not connected with the Group. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. The key inputs are term capitalisation rate and market unit rent of individual unit.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Carrying value *RMB'000*	Level 3 Fair value *RMB'000*
Commercial property units located in the PRC		
At 31 August 2017	10,956	33,000
At 31 August 2016	11,568	33,000
Commercial property units located in Singapore		
At 31 August 2017	326,842	330,582

The above investment properties are depreciated on a straight-line basis at 1% and 3.2% per annum.

The Group's investment properties are situated on land in the PRC and Singapore, the investment properties located in Singapore have been pledged to secure banking borrowings of the Group.

11. PLEDGED BANK DEPOSITS

	31/8/2017 ***RMB'000***	31/8/2016 *RMB'000*
Deposits pledged for banking facilities	**245,000**	242,000

The amount represents bank deposits pledged to banks as security for certain banking facilities granted to the Group.

Dalian Educational Group, a subsidiary of the Company, entered into a banking facility agreement with United Overseas Bank on 23 August 2016 for a banking facility granted to the Group. Bank deposits of RMB132,000,000 placed with the bank at the interest rate of 2.61% per annum is pledged with the bank for a period of four years.

Dalian High School, a subsidiary of the Company, entered into a banking facility agreement with China Merchants Bank on 20 July 2016 for a banking facility, which is secured by a pledge over Dalian High School deposits amounting to RMB110,000,000 placed with the bank at the interest rate of 2.55% per annum. The banking facility agreement was subsequently cancelled and the pledged bank deposit was released in 2017.

Dalian Educational Group, a subsidiary of the Company, entered into a banking facility agreement with Bank of China on 17 November 2016 for a banking facility granted to the Group. Bank deposits of RMB113,000,000 placed with the bank at the interest rate of 2.63% per annum is pledged with the bank for a period of two years.

12. BANK BALANCES AND CASH

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

As at 31 August 2017, the Group's bank deposits carried a weighted-average interest rate of 1.06% per annum (2016: 0.49% per annum).

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

	31/8/2017	31/8/2016
	RMB'000	*RMB'000*
Currency:		
Hong Kong dollar ("**HK$**")	**119,889**	38,430
Canadian dollar ("**CAD**")	**14,674**	129,801
United States dollar ("**USD**")	**10,557**	4,509
Singapore dollar ("**SGD**")	**3,191**	–
	148,311	172,740

13. DEFERRED REVENUE

	31/8/2017	31/8/2016
	RMB'000	*RMB'000*
Tuition and boarding fees	**957,263**	758,990
Others	**51,085**	43,858
	1,008,348	802,848

14. OTHER PAYABLES AND ACCRUED EXPENSES

	31/8/2017	31/8/2016
	RMB'000	*RMB'000*
Miscellaneous expenses received from students *(Note)*	**185,127**	159,107
Payables for purchase of property, plant and equipment	**97,266**	88,066
Deposits received from students	**20,402**	20,339
Accrued payroll	**19,949**	14,926
Other tax payables	**11,740**	15,705
Payables for purchase of goods	**4,400**	4,412
Prepayment from lessee	**3,676**	107
Payable for land use right	**3,000**	3,000
Accrued operating expenses	**1,925**	1,807
Other	**35,144**	29,503
	382,629	336,972

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

15. BORROWINGS

	31/8/2017
	RMB'000
Secured bank loans	**424,146**
The carrying amounts of the above borrowings are repayable:	
Within one year	**116,981**
Within a period of more than one year but not exceeding two years	**101,232**
Within a period of more than two years but not exceeding five years	**205,933**
	424,146
Less: Amounts due within one year shown under current liabilities	**(116,981)**
Amounts shown under non-current liabilities	**307,165**

Note: During the financial year ended 31 August 2017, the Group obtained bank loans amount to RMB424,146,000 (31 August 2016: nil) which are secured by pledged deposits of RMB245,000,000 of Dalian Educational Group, mortgaged over investment property of RMB326,842,000, existing and future legal assignment of sales proceeds, rental proceeds, rental deposits and other rights of Maple Leaf Education Hillside Pte. Limited ("**Maple Hillside**"). The loans carry interest at variable interest rates from 1.14% to 2.77% per annum.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

A Pathway to Overseas Universities for Children of Middle Class Families in China

In China, many middle class parents today are well-educated and well-travelled, with an international vision. These parents consider studying in international schools as a pathway to overseas universities for their children. They realise the importance of an all-round education to the personal development of their children and hence an examination-oriented education system may not be the preferred route for their children. These parents consider that international schools usually put more emphasis on critical thinking, higher order learning and the creativity of students and provide a joyful learning environment with pastoral care for their children.

Increasing Demand for Bilingual International Schools in China

Chinese parents generally believe that international schools in China that place a strong emphasis on teaching English better prepare their children for overseas education in English-speaking countries. They also realise that the influence of China on the global economy is becoming more and more important. Therefore, if their children receive a bilingual education in China, followed by university studies in an English-speaking country, their children will be better equipped with the language and cultural skills that can open the doors to better job opportunities both in China and internationally.

Although China's economy may not be growing as quickly as in previous years, the slower pace of the growth has not reduced the desire of middle class parents to send their children to bilingual international schools as they generally believe that a high quality education is a worthwhile investment in the future of their children.

Classification of International Schools in China

International schools in China are generally divided into the following categories:

1. Foreign national schools are only allowed to provide preschool to grade 12 ("**K-12**") education to children of foreign nationals who have permits for residence in China. These schools are not allowed to enrol the children of Chinese nationals. The selection of curriculum is determined by the schools themselves. Foreign national schools may be established by foreign institutions, foreign invested enterprises established in China, branches of international organizations in China or foreign individuals residing in China.

2. Sino-foreign joint venture high schools or preschools are primarily intended for Chinese nationals and are also allowed to teach foreign nationals. They are formed through cooperation between Chinese educational institutions and foreign educational institutions, the latter of which can only own less than 50% of the Joint venture. These Sino-foreign joint ventures cannot own or operate middle and elementary schools.

3. Domestic Chinese-owned schools are permitted to provide a foreign curriculum in high school (grade 10 to 12) and are able to enrol children of both Chinese nationals and foreign nationals. However, these schools must provide the Chinese compulsory curriculum at middle school (grade 7 to 9) and elementary school (grade 1 to 6) levels. At preschool level for which there is no mandatory national curriculum.

Except for our foreign national schools and Dalian Maple Leaf International School (High School) which is a Sino-foreign joint venture private school, our schools are domestic Chinese-owned schools.

Our Market Position

With over 22 years' experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering a high quality, bilingual K-12 education combining the merits of both Western and Chinese educational philosophies. Our high schools are certified by both the Ministry of Education of British Columbia, Canada ("**BC**") and the Chinese government, which allow our graduates to receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, all of our high schools with students enrolled in grade 10-12 have been accredited by AdvancED, the largest school accreditation agency in the United States of America. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes to our students. Our kindergartens provide a play-based, bilingual curriculum designed and developed by Maple Leaf Educational Systems Limited.

Our schools charge affordable and competitive tuition fees. We target mainly Chinese students from middle class families in China who intend to study at overseas universities. The Group operates all of its schools under the "Maple Leaf" brand, most of which are located in second and third tier cities in China (Shanghai being the exception as a first tier city).

BUSINESS REVIEW

The 2016/2017 school year was the second year of the Group's fifth five-year plan from 2015/2016 to 2019/2020 school years ("**Fifth Five-year Plan**"). At the end of the 2016/2017 school year, the Group's student enrolment was 26,088, beyond our expected target student enrolment set for the 2016/2017 school year under the Fifth Five-year Plan.

The Group first launched its MLES Global Top 100 University Guide ("**MLES Guide**") based on well recognized international rankings, such as QS, US News and MacLean's, in 2015/2016 school year. The Group believes that the MLES Guide is well suited for the majority of its students who aim for English-language universities. For the year ended 31 August 2017, the Group had 1,807 high school graduates, 46 of whom received offers from top 10 universities in the world, including Imperial College of London and University College of London, while 1018 graduates, more than 56% of the total, received offers from one of the MLES Global Top 100 universities.

Revenue

	Year ended 31 August			
	2017	**% of**	2016	% of
	RMB'000	**Total**	*RMB'000*	Total
Tuition fees				
– High school	**468,171**	**43.2**	391,009	47.1
– Middle school	**163,779**	**15.1**	125,346	15.1
– Elementary school	**189,660**	**17.5**	135,075	16.3
– Preschool	**35,894**	**3.3**	26,888	3.2
– Foreign national school	**20,092**	**1.9**	16,462	2.0
	877,596	**81.0**	694,780	83.7
Textbooks	**38,379**	**3.5**	34,343	4.1
Summer and winter camps	**54,330**	**5.1**	38,882	4.7
Other educational services	**45,718**	**4.2**	36,083	4.4
Others	**67,159**	**6.2**	25,682	3.1
Total	**1,083,182**	**100**	829,770	100

For the year ended 31 August 2017, tuition fees remained a major revenue contributor. The proportion of high school tuition fees for the year ended 31 August 2017 decreased while the respective proportion of middle and elementary school tuition fees increased, largely due to the revenue contribution from the new openings of 4 middle and 4 elementary schools in the 2016/2017 school year.

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 are recognized as revenue proportionately over the relevant school year. For the 2016/2017 school year, our high schools charged tuition fees ranging between RMB49,000 and RMB100,000. Tuition fees increased by RMB182.8 million or 26.3%, primarily due to an increase in student enrolment and an increase in the tuition fee rates charged for the new students enrolled in certain schools for the 2016/2017 school year.

Revenue from other increased by RMB41.5 million, primarily due to an increase in provision of school uniforms and an increase in providing other services.

Student Enrolment

	At the end of school year			
	2016/2017	**% of Total**	2015/2016	% of Total
High school	**8,948**	**34.3**	7,362	38.1
Middle school	**5,282**	**20.2**	4,023	20.8
Elementary school	**8,912**	**34.2**	5,788	29.9
Preschool	**2,659**	**10.2**	1,938	10.0
Foreign national school	**287**	**1.1**	223	1.2
Total number of students enrolled	**26,088**	**100**	19,334	100

The total number of students enrolled at the end of the 2016/2017 school year increased by 6,754, or 34.9% of which 13.3% growth came from the new schools opened in the 2016/2017 school year, while the remaining growth came from existing schools.

At the end of the 2016/2017 school year, the proportion of high school students decreased while the aggregate proportions of middle school and elementary school students increased largely due to the additions of 4 middle and 4 elementary schools in the 2016/2017 school year. This was in line with the Group's strategic objective of increasing the capacity of our middle schools as feeder schools for our high schools, improving the preparedness of high school entrants and reducing the need for recruitment outside the Maple Leaf system.

Average Tuition Fee per Student

	For the year ended 31 August	
	2017	2016
Tuition fees *(RMB'000)*	**877,596**	694,780
Average student enrolment*	**22,711**	17,706
Average tuition fee per student# *(RMB'000)*	**38.6**	39.2

* Average student enrolment is calculated as the average of the total number of students enrolled at the end of two consecutive school years.

\# Average tuition fee per student is calculated by dividing tuition fees for the year ended 31 August of the relevant year over average student enrolment.

Average tuition fee per student slightly decreased by approximately 1.5%, primarily due to the impact of having a larger portion of our overall students in middle and elementary schools. Tuition income from Hainan Maple Leaf was only consolidated after acquisition in May 2017.

Our Schools

14 new schools were added to our school network for the year ended 31 August 2017, including a preschool in Tianjin, a middle school and an elementary school in Huai'an, Jiangsu Province, a foreign national school in Yiwu, Zhejiang Province, a middle school, an elementary school and a preschool in Pinghu, Zhejiang Province, a high school in Kamloops, BC, Canada, a middle school and an elementary school in Xi'an, Shaan'xi Province, and through acquisition, a high school, a middle school, an elementary school and a preschool in Haikou, Hainan Province.

As at 31 August 2017, the Group had 60 schools located in 16 cities located in China and Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Huai'an, Pinghu, Xi'an, Haikou and Kamloops. The following table shows a summary of our schools by category as at the end of the two financial years:

	As at 31 August	
	2017	2016
High schools	**10**	8
Middle schools	**16**	12
Elementary schools	**15**	11
Preschools	**16**	13
Foreign national schools	**3**	2
Total	**60**	46

Utilisation of Our Schools

Our utilisation rate is calculated as the number of students enrolled divided by the physical 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. As a general rule, a new school takes some time to build its utilisation rate, especially at the high school level.

	As at the end of school year	
	2016/2017	2015/2016
Total number of students enrolled	**26,088**	19,334
Total capacity	**38,660**	30,040
Overall utilisation	**67.5%**	64.4%

While the total capacity for students increased primarily due to the addition of 14 new schools at the commencement of the 2016/2017 school year, the improvement in the overall utilisation rate was largely due to the improvement in the utilisation rate at certain school locations including Yiwu, Chongqing and Tianjin (Huayuan).

Our Teachers

	As at the end of school year	
	2016/2017	2015/2016
Total number of teachers	**2,288**	1,814

Our student-teacher ratio at below 11.4:1 remained relatively stable in the 2016/2017 school year compared to 2015/2016. The total number of teachers increased mainly because more PRC-certified teachers were recruited primarily for the new openings of 4 middle schools and 4 elementary schools in the 2016/2017 school year. As at the end of the 2016/2017 school year, we had approximately 356 BC-certified teachers compared to 350 at the end of the 2015/2016 school year.

In the 2016/2017 school year, there was no material increase in the salary rates of our teachers.

RECENT BUSINESS UPDATE

Growth in Student Enrolment as at 15 October 2017

	As at 15 October		Change	Percentage Change
	2017	2016		
Total number of students enrolled	**28,111**	20,599	+7,512	+36.5%

The financial year of the Group ends on 31 August each year, while its school year normally runs from the beginning of September each year to the middle of July in the next year and each school year is divided into two terms. The number of students enrolled may vary from time to time in each school year. The above student enrolment numbers at 15 October represent unaudited internal statistics of the total number of students enrolled in the first term in the relevant school year for comparison purpose only.

According to prior experience, the Group expects that student enrolment will further increase in the second half of the 2017/2018 school year because some new students are generally admitted in the second term.

New Schools Opened in China and Canada in September 2017

As of 30 September 2017, the Group opened the following 14 new schools in China and Canada:

City	Number of schools	Category of schools	Estimated Student Capacity
Dalian, Liaoning Province	2	Middle school and elementary school	900
Xi'an, Shannxi Province	1	High school	200
Yancheng, Jiangsu Province	1	Elementary school	950
Liangping, Chongqing	3	Middle school, elementary school and Preschool	1,500
Huzhou, Zhejiang Province	3	Middle school, elementary school and Preschool	2,200
Weifang, Shandong Province	3	Middle school, elementary school and Preschool	2,100
Richmond, BC, Canada	1	High school	80

All these new schools were developed using an asset light model.

Acquisition in Singapore

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 SGD67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party which was fully settled by bank borrowings denominated in SGD. 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 international school in Singapore.

Acquisition in Haikou, Hainan Province, PRC

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 Hainan Science and Education Group Co., Ltd* (the "**Target Company**"), owner of Hainan National Science Park Experimental School* (the "**Target School**"), for an aggregate consideration of RMB77,915,000 (equivalent to approximately HK$88,190,000). 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, a private non-enterprise organisation wholly-owned by the Target Company located in Haikou City in Hainan Province. The Target School 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.

The Acquisition has been satisfied by the allotment and issuance of an aggregate of 18,636,733 consideration shares by the Company under the general mandate at an issue price of HK$4.732 per share, the fair value of which on the acquisition date, 12 May 2017, was RMB116,620,000 (equivalent to approximately HK$131,762,000). 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 was 52.4% owned by the Group and the Target Company became consolidated affiliated entity of the Company. The Acquisition was completed on 12 May 2017.

As mentioned above, the Group is principally engaged in the operation of international schools for K-12 education in the PRC. This Acquisition provides an opportunity for the Group to establish its strategic presence in a new province and expand its school network into southern China. The Target School has been operating in Hainan Province since 1994 and has established a strong reputation in the local community. The addition of the Target School to the Group's school network will improve the profitability of the Group and strengthen its position in the education industry. For details of the Acquisition, please refer to the Company's announcements dated 5 February 2017, 24 February 2017, 17 April 2017 and 12 May 2017.

FUTURE DEVELOPMENT

The Fifth Five-Year Plan from 2015/2016 to 2019/2020 School Years

The school year of 2017/2018 is the third year of the Group's Fifth Five-year Plan. In order to achieve the target student enrolment of over 40,000 by the end of the 2019/2020 school year under the Fifth Five-year Plan, we will continue to work towards our strategic expansion from stand-alone schools to educational parks and from educational parks to school districts in China. We expect that the Group will be able to achieve a target of running more than 70 schools in at least 20 cities in China by the end of the 2018/2019 school year and complete its national layout of school locations as set out in the Fifth Five-Year Plan.

Expansion Strategies

The Group will continue to adopt multiple expansion strategies including but not limited to building more asset light schools, acquisitions of schools with synergy to the Group and an expansion of certain self-owned school campuses with high utilisation rates in both PRC and overseas. The enforcement of the amended Law for Promoting Private Education and the two-child policy creates a good opportunity for the vigorous growth of preschool education. The Group plans to set up preschools in each of the cities where it operates higher level Maple Leaf schools.

Expansion of Student Capacity for Self-owned School Campuses

Driven by strong student placement, the overall utilisation rate of each of the Wuhan, Tianjin (Teda) and Chongqing campuses was over 95% as at 30 September 2016. Accordingly, the Group completed before the commencement of the 2017/2018 school year the construction of additional dormitories and teaching buildings on each of the relevant campuses except Wuhan, in order to expand the corresponding capacity for students.

New Schools' Development under Pipeline in China

The Group is under negotiations with local government or other entities for opening more asset light schools in China. The Group is planning to open schools in more first tier cities, including Beijing and Shenzhen and is exploring some relevant potential opportunities.

Overseas Expansion

Overseas expansion is part of the Group's long-term growth strategy. We believe that a global presence of Maple Leaf brand schools will definitely help our student recruitment in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational options for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also in other regions such as North America, Australia and South-East Asia. Accordingly, the Group will explore opportunities for opening more Maple Leaf brand bilingual schools outside mainland China such as Canada and Hong Kong where there is a demand for blending the best of Western and Chinese cultures.

Following the release of the PRC Government's strategic paper "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road", and that of the Ministry of Education titled "Jointly Building the Belt and Road", the Group has completed a feasibility report on the establishment of Maple Leaf International Schools along the Belt and Road, and is now actively exploring this concept with relevant government agencies, think tanks and investment groups for the purpose of determining whether there are opportunities for forming partnerships. The Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL programs, it is well suited to meet the demand for quality international K-12 education along the Belt and Road. Most attention in the sector to date has been focused on the cooperation in tertiary and vocational education.

Project New Sprouts

Ensuring an adequate supply of quality school principals is a critical element for success in our expansion process. In this regard, the Group has maintained strategic cooperative collaboration with several well-known universities in China, including Beijing Normal University, Northeast Normal University, Central China Normal University, Beijing Foreign Studies University and Wuhan University, from which our schools recruit their master degree graduates with outstanding performance as our trainee principals. The first cohort has now completed the first semester of studies in the Maple Leaf philosophy and systems, as well as the second semester of on-the-job practicum. After finishing their third and fourth semesters, successful trainees will become principals of Maple Leaf middle and/or elementary schools.

MLES Future STEM Teacher Program

In collaboration with Thompson Rivers University ("**TRU**") and Lakehead University in Canada, certain graduates from our high schools who meet the university requirements will be trained to earn their university degrees and their BC teaching certificates. These graduates will be recruited and compensated by our high schools as BC-certified teachers once they have obtained the required qualifications. This will provide an additional source of recruitment of BC-certified teachers to meet the future demand from our high schools.

Other Talent Strategies

Two-year in-service training is an important platform for our executives' continuous development. The Maple Leaf "1+5" leadership team furnishes new Maple Leaf schools with our new model and new experience for leadership preparation and operation. The Royal Roads University Educational Management and Leadership Master's program enables executive candidates to embark on management careers and take on greater responsibilities in Maple Leaf in the future.

Conclusion

With the support of its dedicated management team, the Group is confident that it is able to maintain its leading position as a K-12 international school operator in China, expand its school network inside and outside China and provide quality educational services to the society.

OTHER UPDATES

LATEST DEVELOPMENT OF THE LAW FOR PROMOTING PRIVATE EDUCATION

The New Law for Promoting Private Education provides system assurance for the innovative development of private education

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC was considered and approved by the 24th meeting of the Standing Committee of the Twelfth Session of the Standing Committee of the National People's Congress (the "**New Law**"), which became effective on 1 September 2017. On 5 January 2017, the Implementation Rules for Classified Registration of Private Schools (the "**Registration Rules**") was introduced by five ministries including the Ministry of Education and the Implementation Rules for the Supervision and Management of Profit Private Schools (the "**Supervision Rules**") was promulgated, while on 8 January 2017, the Several Opinions on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (Guo Fa No. [2016]81) (the "**Several Opinions**") was issued by the State Council. Since May 2017, the draft implementation rules were issued by local provinces. The New Law and its supporting rules brought a new pattern for the classified administration, differential support and characteristic development of for-profit and non-profit private schools in the PRC. The national and local government's draft implementation rules recognise the social contribution of private schools, and if a parcel of land is allocated to a non-profit school, the corporate income taxes on its non-profit income are exempted on the condition of obtaining local tax exemption qualification. With respect to for-profit schools, the draft implementation rules clarify the ownership of assets, open up financing alternative, advocate the operation of schools as market entities and enhance the autonomy of running a school in terms of enrolment, fees, courses and so on to stimulate and boost the rapid expansion and development of for-profit private schools. The state further decentralized authority to promote the PPP education model. The New Law fundamentally solves the problems of unclear asset ownership and attribution and specific implementation of support policies, providing systemic assurance for the development of private schools.

The New Law will help the scale development of Maple Leaf Education

The middle and elementary schools under Maple Leaf Education will choose to become non-profit schools in accordance with the New Law, which agrees in principle with the current nature of these schools in that they "do not require reasonable return", so their operation will not be affected by the implementation of the New Law. On the contrary, the system innovation under the New Law in respect of land, tax and encourage of PPP education model coincides with the asset-light development approach of Maple Leaf Education and will accelerate its pace of asset-light development.

After implementation of the New Law, the high schools and preschools of Maple Leaf will have greater autonomy in enrolment, tuition fees and curriculum set up according to the law, the mode and systemic advantages of Maple Leaf will be more prominent, its influence improved and a corresponding flexibility in setting tuition fees will be increased.

FINANCIAL REVIEW

Revenue

The Group derives revenue mainly 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 including revenue from self-operated supermarkets, provision of school uniforms and fees from providing other services.

Total revenue of the Group increased by RMB253.4 million, or 30.5%, from RMB829.8 million for the financial year ended 31 August 2016 to RMB1,083.2 million for the financial year ended 31 August 2017. The increase was primarily due to an increase in revenue from tuition fees by RMB182.8 million and an increase in revenue from others by RMB70.6 million.

Revenue from tuition fees increased by 26.3% from RMB694.8 million for the financial year ended 31 August 2016 to RMB877.6 million for the financial year ended 31 August 2017, primarily due to an increase in student enrolment by 6,754 and an increase in tuition fee rates for the new students enrolled in certain schools. Revenue from others increased by 161.5% from RMB25.7 million for the financial year ended 31 August 2016 to RMB67.2 million for the financial year ended 31 August 2017, primarily due to an increase in provision of school uniforms and an increase in providing other services.

Cost of Revenue

Our cost of revenue consists primarily of staff costs, depreciation and amortisation, other training expenses and other costs. Staff costs consist of salaries and benefits paid to our teachers and other teaching staff. Depreciation and amortisation relate to the depreciation of property, plant and equipment and the amortisation 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 utility costs, the cost of furniture at our schools, the cost of maintaining our facilities, the cost of provision of school uniforms and the cost of inventories sold by self-operated supermarkets in our schools.

Cost of revenue increased by RMB115.3 million, or 26.9%, from RMB428.0 million for the financial year ended 31 August 2016 to RMB543.3 million for the financial year ended 31 August 2017. The increase was largely due to an increase in teaching staff costs by RMB69.9 million and an increase in other costs by RMB34.9 million.

Teaching staff costs increased by 26.1% from RMB268.0 million for the financial year ended 31 August 2016 to RMB337.9 million for the financial year ended 31 August 2017, primarily due to an increase in the number of teachers from 1,814 as at the end of the 2015/2016 school year to 2,288 as at the end of the 2016/2017 school year and an increase in share-based payments resulting from the grant of share awards to certain teaching staff during the year ended 31 August 2017. Other costs increased from RMB82.8 million for the financial year ended 31 August 2016 to RMB117.7 million for the financial year ended 31 August 2017, primarily attributable to an increase in the cost of provision of school uniforms.

Gross Profit

As a result of the foregoing, gross profit increased by 34.4% from RMB401.7 million for the financial year ended 31 August 2016 to RMB539.9 million for the financial year ended 31 August 2017. Our gross margin increased from 48.4% for the financial year ended 31 August 2016 to 49.8% for the financial year ended 31 August 2017 largely due to the increased utilisation of certain schools resulting from an increase in student enrolment and an increase in tuition fee rates of certain schools.

Investment and Other Income

Investment and other income consist mainly of interest income from pledged bank deposits and term deposits, rental income from investment properties and government grant. Investment and other income increased by 38.9% from RMB32.4 million for the financial year ended 31 August 2016 to RMB45.0 million for the financial year ended 31 August 2017. The increase was primarily attributable to an increase in interest income from bank deposits by RMB6.4 million primarily due to a better utilisation of cash surplus and an increase in rental income from investment properties in Singapore by RMB11.4 million.

Other Gains and Losses

Other gains and losses consist primarily of net foreign exchange gain, gain on disposal of short term investments and reversal of other payables. Other gains and losses increased by 19.4% from a gain of RMB40.8 million for the financial year ended 31 August 2016 to a gain of RMB48.7 million for the financial year ended 31 August 2017. The increase was primarily attributable to the combined effects of i) a decrease in net foreign exchange gain and a gain on disposal of short term investment by RMB23.6 million, ii) an increase in a gain on the extinguishment of other payables by RMB20.0 million, and iii) a decrease in a loss on disposal of property, plant and equipment by RMB8.9 million.

Marketing Expenses

The majority of marketing expenses comprises of commercials, and expenses for producing, printing and distributing advertising and promotional materials. Marketing expenses also include salaries and benefits for personnel engaged in sales and marketing activities. Marketing expenses increased by 13.5% from RMB26.0 million for the financial year ended 31 August 2016 to RMB29.5 million for the financial year ended 31 August 2017, mainly due to an increase in expenses for producing, printing and distributing advertising and promotional materials. However, marketing expenses as a percentage of total revenue decreased from 3.1% for the year ended 31 August 2016 to 2.7% for the year ended 31 August 2017.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, share-based payments and certain professional expenses. Administrative expenses increased by 26.3% from RMB123.0 million for the financial year ended 31 August 2016 to RMB155.4 million for the financial year ended 31 August 2017. The increase was primarily attributable to an increase in staff salaries and related costs primarily due to the fact that the Group hired additional management to support the Group's expansion during the year ended 31 August 2017. However, administrative expenses as a percentage of total revenue decreased from 14.8% for the year ended 31 August 2016 to 14.3% for the year ended 31 August 2017, as a result of the Group's effective cost control measures.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and banking facilities. Finance costs increased from zero for the financial year ended 31 August 2016 to RMB8.0 million for the financial year ended 31 August 2017 as new bank borrowings were raised during the year ended 31 August 2017.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB440.7 million for the financial year ended 31 August 2017 and RMB325.9 million for the financial year ended 31 August 2016. Profit before taxation as a percentage of revenue of the Group was 40.7% for the financial year ended 31 August 2017, compared to 39.3% for the financial year ended 31 August 2016.

Taxation

Income tax expense of the Group increased from RMB18.3 million for the financial year ended 31 August 2016 to RMB26.9 million for the financial year ended 31 August 2017, mainly due to an increase in assessable profit of certain subsidiaries of the Company. The effective tax rate of the Group for the financial years ended 31 August 2017 and 2016 was 6.1% and 5.6%, respectively, which remained relatively stable.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 34.5% from RMB307.6 million for the financial year ended 31 August 2016 to RMB413.7 million for the financial year ended 31 August 2017.

Adjusted Net Profit

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

	Year ended 31 August	
	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**413,723**	307,564
Add:		
Gain on disposal of short term investments	**(3,497)**	(14,301)
Government grant	**(5,906)**	(8,032)
Share-based payments	**23,644**	18,489
Adjusted net profit	**427,964**	303,720

Adjusted net profit margin increase from 36.6% for the year ended 31 August 2016 to 39.5% for the year ended 31 August 2017, primarily due to the combined effects of the increase in gross profit margin, the decrease in administrative expenses as a percentage of revenue as mentioned above and the increase in finance cost.

Capital Expenditures

For the year ended 31 August 2017, the Group paid RMB224.1 million for property, plant and equipment primarily related to the buildings for certain schools in Tianjin (Teda), Chongqing and Pingdingshan. For the year ended 31 August 2016, the Group paid RMB146.7 million for property, plant and equipment primarily related to the buildings of schools in Pinghu, Zhejiang Province.

Liquidity, Financial Resources and Capital Structure

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

	Year ended 31 August	
	2017	2016
	RMB'000	*RMB'000*
Net cash from operating activities	**698,681**	532,877
Net cash (used in) from investing activities	**(563,893)**	33,208
Net cash from (used in) financing activities	**282,049**	(365,817)
Net increase in cash and cash equivalents	**416,837**	200,268
Cash and cash equivalents at 1 September	**1,237,902**	1,022,141
Effect of foreign exchange rate changes	**(5,443)**	15,493
Cash and cash equivalents at 31 August	**1,649,296**	1,237,902

As at 31 August 2017, the Group's bank balances and cash amounted to RMB1,649.3 million, of which the majority were denominated in RMB. During the financial year ended 31 August 2017, the Group obtained new bank loans amounting to RMB424,146,000 (31 August 2016: nil) which are secured by pledged bank deposits of RMB245,000,000 of a group company, mortgaged over investment property of RMB326,842,000, existing and future legal assignment of sales proceeds, rental proceeds, rental deposits and other rights of Maple Leaf Hillside. The loans carry interest at variable market rates from 1.14% to 2.77% per annum.

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

Gearing Ratio

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial year. As at 31 August 2017, the group's gearing ratio was 17.0%. As at 31 August 2016, the Group did not have any bank borrowings and hence the corresponding gearing ratio was 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$, USD and SGD. As at 31 August 2017, certain bank balances were denominated in CAD, HK$, USD and SGD. The Group did not enter into any financial instrument for hedging purposes as it is expected that its foreign exchange exposure will not be material.

Contingent Liabilities

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

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

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 31 August 2017, the Company has not made any provision in respect of the Zhixin Case.

The Company will provide an update as and when there is any material development in this matter.

Pledge of Assets

As at 31 August 2017, the Group pledged a total bank deposits of RMB245.0 million and the investment properties acquired in Singapore to certain licensed banks for certain banking facilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed above, during the year ended 31 August 2017, the Group did not have any material acquisition and disposal of subsidiaries.

SIGNIFICANT INVESTMENT HELD

As at 31 August 2017, no significant investment was held by the Group.

EMPLOYEE BENEFITS

As at 31 August 2017, the Group had 4,513 (2016: 3,684) full-time employees. The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a 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, results and performance of the Group and relevant market conditions. Total employee remuneration (excluding directors' remuneration) for the year ended 31 August 2017 amounted to RMB442.1 million (2016: RMB349.2 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 RMB209.2 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 RMB64.9 million has been utilized towards the maintenance, renovation and upgrade of our existing schools, such as in our Dalian, Wuhan, Shanghai and Hainan campuses;

- approximately RMB72.3 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.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$8.6 cents per share for the year ended 31 August 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 30 January 2018 (Tuesday). Subject to the approval by Shareholders at the forthcoming annual general meeting ("**AGM**") to be held on 23 January 2018 (Tuesday), the proposed final dividend is expected to be paid on or about 6 February 2018 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on 23 January 2018 (Tuesday), the register of members of the Company will be closed from 17 January 2018 (Wednesday) to 23 January 2018 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the AGM, 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 January 2018 (Tuesday).

For determining the entitlement to the proposed final dividend subject to the approval by Shareholders at the AGM, the register of members of the Company will be closed from 29 January 2018 (Monday) to 30 January 2018 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend for the year ended 31 August 2017, 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 26 January 2018 (Friday).

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 year ended 31 August 2017 and up to the date of this announcement, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive should not be performed by the same individual.

Mr. Shu Liang Sherman Jen ("**Mr. Jen**") performs the dual roles of both chairman and chief executive officer ("**CEO**"). The Board believes that by vesting the roles of both chairman and CEO in the same person, the Company derives the benefit of ensuring consistent leadership within 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 year ended 31 August 2017.

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

During the year ended 31 August 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 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, Mr. Chak Kei Jack Wong (resigned on 27 August 2017) and Mr. Xiaodan Mei (appointed on 27 August 2017), all being independent non-executive Directors of the Company. Mr. Lap Tat Arthur Wong is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2017 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules up to the date of this announcement.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 AUGUST 2017

Up to the date of announcement, the Group has no subsequent event after 31 August 2017 which required disclosure.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Group for the year ended 31 August 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 Chief Executive Officer

Hong Kong, 27 November 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. Xiaodan Mei and Mr. Lap Tat Arthur Wong as independent non-executive Directors.

* *For identification purposes only*