枫叶教育

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 2019

HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of HK$5.6 cents (2018: HK$5.1 cents) per share for the year ended 31 August 2019.

	Year ended 31 August			
	2019	2018	**Change**	**Percentage**
	RMB'000	*RMB'000*	*RMB'000*	**Change**
Revenue	**1,570,231**	1,341,267	+228,964	+17.1%
Gross profit	**734,834**	624,104	+110,730	+17.7%
Profit for the year	**654,169**	538,403	+115,766	+21.5%
Adjusted net profit*	**690,263**	592,393	+97,870	+16.5%
Earnings per share *(RMB cents)*				
Basic	**22.20**	19.02	+3.18	+16.7%
Diluted	**22.19**	18.99	+3.20	+16.9%

* a. 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) dividend income from held for trading investments; and (ii) share-based payments.

b. Government grants and gain or loss from held for trading investments are no longer non-recurring items which were excluded from the adjusted items for the year ended 31 August 2019, hence the comparative figure for the year ended 31 August 2018 was restated for consistent presentation.

	As at the end of school year			
	2018/2019	2017/2018	**Change**	**Percentage Change**
Total number of students enrolled	**41,241**	33,478	+7,763	+23.2%
	As at 31 August			
	2019	2018	**Change**	**Percentage**
	RMB'000	*RMB'000*	*RMB'000*	**Change**
Bank balances and cash	**2,762,328**	2,220,694	+541,634	+24.4%
Contract liabilities	**1,375,604**	–	+1,375,604	+100%
Deferred revenue	**–**	1,168,873	–1,168,873	–100%

ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2019

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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2019

	NOTES	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*3*	**1,570,231**	1,341,267
Cost of revenue		**(835,397)**	(717,163)
Gross profit		**734,834**	624,104
Investment and other income	*4*	**61,573**	54,261
Other gains and losses	*5*	**128,752**	75,713
Marketing expenses		**(33,990)**	(40,034)
Administrative expenses		**(199,303)**	(155,558)
Finance costs		**(10,967)**	(10,607)
Profit before taxation		**680,899**	547,879
Taxation	*6*	**(26,730)**	(9,476)
Profit for the year	*7*	**654,169**	538,403
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on the translation of foreign operations		**7,823**	8,490
Total comprehensive income for the year		**661,992**	546,893
Profit (loss) for the year attributable to:			
Owners of the Company		**656,756**	542,830
Non-controlling interests		**(2,587)**	(4,427)
		654,169	538,403
Total comprehensive income (loss) attributable to:			
Owners of the Company		**664,579**	551,320
Non-controlling interests		**(2,587)**	(4,427)
		661,992	546,893
EARNINGS PER SHARE			
Basic *(RMB cents)*	*9*	**22.20**	19.02
Diluted *(RMB cents)*	*9*	**22.19**	18.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2019

	NOTES	**31/8/2019** *RMB'000*	31/8/2018 *RMB'000*
Non-current Assets			
Property, plant and equipment		**2,419,241**	2,105,782
Prepaid lease payments		**263,412**	207,628
Investment properties	*10*	**348,065**	342,936
Goodwill		**252,848**	165,968
Other intangible assets		**44,012**	38,826
Deposit paid for acquisition of property and equipment		**13,640**	10,159
Books for lease		**2,055**	2,608
Pledged bank deposits	*11*	**132,000**	132,000
		3,475,273	3,005,907
Current Assets			
Inventories		**15,337**	16,977
Deposits, prepayments and other receivables	*12*	**144,283**	76,782
Financial assets at fair value through profit or loss		**76,066**	–
Held for trading investments		**–**	116,770
Available-for-sale investments		**–**	246,000
Pledged bank deposits	*11*	**–**	113,000
Restricted cash		**50,447**	–
Bank balances and cash	*13*	**2,762,328**	2,220,694
		3,048,461	2,790,223
Current Liabilities			
Deferred revenue	*14*	**–**	1,168,873
Contract liabilities	*14*	**1,375,604**	–
Other payables and accrued expenses	*15*	**436,815**	399,452
Income tax payable		**83,085**	73,866
Borrowings	*16*	**123,475**	224,537
		2,018,979	1,866,728
Net Current Assets		**1,029,482**	923,495
Total Assets Less Current Liabilities		**4,504,755**	3,929,402
Capital And Reserves			
Share capital		**9,309**	9,255
Reserves		**4,143,594**	3,642,279
Equity attributable to owners of the Company		**4,152,903**	3,651,534
Non-controlling interests		**92,872**	40,295
Total Equity		**4,245,775**	3,691,829
Non-Current Liabilities			
Deferred tax liabilities		**51,466**	30,772
Borrowings	*16*	**207,514**	206,801
		258,980	237,573
		4,504,755	3,929,402

1. GENERAL

China Maple Leaf Educational Systems Limited (the "**Company**" together with its subsidiaries collectively referred to as the "**Group**") was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on 5 June 2007. Its shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands ("**BVI**") and its ultimate controlling party is Mr. 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 mainly within the PRC.

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

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
International Financial Reporting Interpretations Committee Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The directors of the Company anticipate that the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and amendments to 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 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[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 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

3. REVENUE AND SEGMENT INFORMATION

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

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

	2019	2018
	RMB'000	*RMB'000*
Types of goods or services		
Tuition and boarding fees	**1,318,517**	1,108,733
Summer and winter camps	**54,096**	50,672
Sales of textbooks	**46,044**	44,161
Others	**151,574**	137,701
	1,570,231	1,341,267
Timing of revenue recognition		
Over time	**1,458,545**	–
A point in time	**111,686**	–
	1,570,231	–

Major customers

No single customer contributes 10% or more of total revenue of the Group for the years ended 31 August 2019 and 2018.

Geographical information

The Group primarily operates in the PRC. All revenue of the Group are generated from services and goods provided to the external customers in the PRC.

4. INVESTMENT AND OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**36,343**	25,054
Rental income from investment properties	**15,746**	15,054
Government grant	**8,445**	5,166
Dividend income from financial assets at FVTPL	**497**	–
Dividend income from held for trading investments	**–**	2,934
Interest income from wealth management products	**–**	1,008
Others	**542**	5,045
	61,573	54,261

5. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Reversal of other payables	**72,190**	56,847
Gain arising from changes in fair value of financial assets measured at FVTPL	**39,533**	–
Loss from changes in fair value of held for trading investments	**–**	(12,853)
Net foreign exchange gain	**17,180**	31,754
(Loss) Gain on disposal of property, plant and equipment	**(1,080)**	151
Others	**929**	(186)
	128,752	75,713

6. TAXATION

	2019	2018
	RMB'000	*RMB'000*
The charge comprises		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**29,839**	29,348
Deferred tax	**(3,109)**	(19,872)
	26,730	9,476

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

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**680,899**	547,879
Tax at PRC EIT rate of 25%	**170,225**	136,970
Tax effect of preferential tax rate granted	**(10,059)**	(5,410)
Tax effect of tax loss not recognised	**4,979**	5,798
Utilisation of tax loss previously not recognised	**(651)**	(2,991)
Tax effect of income not taxable for tax purposes	**(303,792)**	(253,435)
Tax effect of expenses not deductible for tax purposes	**166,028**	128,544
Tax charge for the year	**26,730**	9,476

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 the year ended 31 August 2019 and 2018. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

Beipeng Software is entitled to High and New Technology Enterprise ("**HNTE**") 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. The HNTE status is valid for three years, and may be renewed at the end of three years.

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, Huzhou Maple Leaf International School, Henan Maple Leaf International School, Xian Maple Leaf International School, Pinghu Maple Leaf International School, Huaian Enlai Maple Leaf International School, Yancheng Maple Leaf International School, Teenager Growth Service Centre — Hainan Meishe, Maple Leaf International Schools — Haikou Jiangdong, Maple Leaf International Schools — Haikou Meiwen, Maple Leaf International Schools — Haikou Xiuying, and Inner Mongolia Ordos 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 2019, non-taxable tuition income was RMB1,215,167,000 (2018: RMB1,013,739,000), and the related expense of RMB627,643,000 (2018: RMB498,873,000) was not deductible.

As at 31 August 2019, the Group had unused tax loss of RMB52,107,000 (2018: RMB35,379,000) 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 2019, tax losses of RMB52,107,000 (2018: RMB35,379,000) will expire in various years before 2024 (2018: 2023).

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 RMB2,698,392,000 at 31 August 2019 (2018: RMB2,036,227,000) 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

	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**570,584**	512,400
— retirement benefit scheme contributions	**30,886**	24,632
— share-based payments	**36,591**	56,924
Total staff costs	**638,061**	593,956
Gross rental income from investment properties	**(15,746)**	(15,054)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	**1,695**	1,525
Net rental income	**(14,051)**	(13,529)
Depreciation of property and equipment	**81,871**	60,685
Amortisation of intangible assets	**7,235**	1,141
Amortisation of prepaid lease payments	**6,420**	5,823
Depreciation of investment properties	**3,888**	3,789
Auditor's remuneration	**2,969**	2,680
Amortisation of books for lease	**2,072**	2,347

8. DIVIDENDS

During the year ended 31 August 2019, a final dividend of HK$5.1 cents (equivalent to approximately RMB4.4 cents) per share (total dividend of RMB130,659,000) in respect of the year ended 31 August 2018 and an interim dividend of HK$4.7 cents (equivalent to approximately RMB4.1 cents) per share (total dividend of RMB122,621,000) in respect of the six months period ended 28 February 2019 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 2018, a final dividend of HK$4.3 cents (equivalent to approximately RMB3.5 cents) per share (total dividend of RMB104,423,000) in respect of the year ended 31 August 2017 and an interim dividend of HK$4.0 cents (equivalent to approximately RMB3.3 cents) per share (total dividend of RMB96,162,000) in respect of the six months period ended 28 February 2018 were paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

A final dividend of HK$5.6 cents per share in respect of the year ended 31 August 2019 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

The number of shares adopted in the calculation of the dividend for the year ended 31 August 2019 and 2018 has been retrospectively adjusted to reflect the share subdivision which became effective on 9 July 2018.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 August 2019 and 2018 were based on the following data:

	2019	2018
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**656,756**	542,830

	2019 Number of shares	2018 Number of shares
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,958,034**	2,853,896
Effect of dilutive potential ordinary shares:	**2,078**	5,070
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,960,112**	2,858,966

The number of shares adopted in the calculation of the basic earnings per share and the diluted earnings per share for the year ended 31 August 2019 and 2018 has been retrospectively adjusted to reflect the share subdivision which became effective on 9 July 2018.

The number of shares adopted in the calculation of the basic earnings per share for the year ended 31 August 2019 and 2018 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 2017	348,684
Exchange adjustments	9,092
At 31 August 2018	357,776
Exchange adjustments	9,262
At 31 August 2019	367,038
DEPRECIATION	
At 1 September 2017	10,886
Provided for the year	3,789
Exchange adjustments	165
At 31 August 2018	14,840
Provided for the year	3,888
Exchange adjustments	245
At 31 August 2019	18,973
CARRYING VALUES	
At 31 August 2019	348,065
At 31 August 2018	342,936

The fair value of the Group's investment properties at 31 August 2019 is RMB381,935,000 (2018: RMB372,674,000). 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 2019	9,732	33,000
At 31 August 2018	10,344	33,000
Commercial property units located in Singapore		
At 31 August 2019	338,333	348,935
At 31 August 2018	332,592	339,674

The above investment properties are depreciated on a straight-line basis at 1% and 3.2% per annum, respectively. 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 borrowing of the Group.

11. PLEDGED BANK DEPOSITS

	31/8/2019 ***RMB'000***	31/8/2018 *RMB'000*
Deposits pledged for banking facilities	**132,000**	245,000
Analysed for reporting purposes as:		
Current assets disclosed as pledged bank deposits	**–**	113,000
Non-current assets disclosed as pledged bank deposits	**132,000**	132,000
	132,000	245,000

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 Bank of China on 17 November 2016. 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. The Group repaid the bank loan secured by pledged deposits of RMB113,000,000 of Dalian Maple Leaf Educational Group Co., Ltd during the current year.

Dalian Educational Group entered into another banking facility agreement with United Overseas Bank on 23 August 2016. 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 five years.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/8/2019	31/8/2018
	RMB'000	*RMB'000*
Receivable from third parties	**39,028**	31,374
Management fees receivables	**31,384**	13,132
Short-term loan to a third party *(note)*	**30,000**	–
Prepaid rent and other prepaid expenses	**11,113**	4,176
Deposits	**5,910**	7,653
Interest receivables	**6,619**	5,599
Prepaid lease payments	**7,323**	5,786
Staff advances	**1,069**	1,765
Others	**11,837**	7,297
	144,283	76,782

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

13. 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 2019, the Group's bank deposits carry interest at market rates which range from 0.30% to 2.65% per annum (31 August 2018: 0.30% to 2.5%) 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.

	31/8/2019	31/8/2018
	RMB'000	*RMB'000*
Currency:		
Hong Kong dollar ("**HK$**")	**305,266**	609,966
United States dollar ("**USD**")	**166,330**	245,779
Canadian dollar ("**CAD**")	**92,857**	13,226
Singapore dollar ("**SGD**")	**3,631**	2,748
Australian dollar ("**AUD**")	**141**	15
	568,225	871,734

The Group's credit risk primarily arises from restricted cash and bank balances. The credit risk on these balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

14. CONTRACT LIABILITIES/DEFERRED REVENUE

Contract liabilities

	31/8/2019
	RMB'000
Tuition and boarding fees	**1,302,744**
Others	**72,860**
	1,375,604

Deferred revenue

	31/8/2018
	RMB'000
Tuition and boarding fees	1,111,033
Others	57,840
	1,168,873

15. OTHER PAYABLES AND ACCRUED EXPENSES

	31/8/2019	31/8/2018
	RMB'000	*RMB'000*
Miscellaneous expenses received from students *(Note)*	**193,121**	181,865
Payables for purchase of property and equipment	**67,702**	96,275
Deposits received from students	**17,278**	17,920
Accrued payroll	**23,660**	21,234
Contingent consideration in business combination	**–**	4,600
Acquisition consideration payable	**68,718**	9,076
Other tax payables	**6,804**	12,354
Payables for purchase of goods	**6,485**	2,882
Prepayment from lessee	**3,942**	4,346
Payable for land use right	**–**	3,000
Accrued operating expenses	**2,326**	6,130
Others	**46,779**	39,770
	436,815	399,452

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

16. BORROWINGS

	31/8/2019	31/8/2018
	RMB'000	*RMB'000*
Secured bank borrowings	**330,989**	431,338
The carrying amounts of the above borrowings are repayable:		
Within one year	**123,475**	224,537
Within a period of more than one year but not exceeding two years	**4,926**	4,795
Within a period of more than two years but not exceeding five years	**202,588**	202,006
	330,989	431,338
Less: Amounts due within one year shown under current liabilities	**(123,475)**	(224,537)
Amounts shown under non-current liabilities	**207,514**	206,801

During the financial year ended 31 August 2019, the Group obtained bank loans amount to SGD64,503,000 (equivalent to RMB330,989,000). These bank loans are secured by pledged deposits of RMB132,000,000 of Dalian Educational Group, mortgaged over an investment property owned by Maple Leaf Education Hillside Pte. Limited ("**Maple Hillside**") of RMB338,333,000 and existing and future legal assignment of rental proceeds, rental deposits and other rights of Maple Hillside. These loans carry interest at variable interest rates from 2.03% to 3.76% (31 August 2018: 1.33% to 2.98%) per annum.

On 15 March 2019, the Group acquired 75% of the equity interest in Luzhou Qizhong Jiade Education Investment Company Limited. Among net assets acquired, it includes a long-term bank loan with principle amount of RMB44,000,000 which carries interest at a fixed interest rate 9.78% per annum. On 25 March 2019, the Group repaid this loan.

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 2019 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 the Increasing Affluence of Middle-Incomes Families in China

In China, many middle-income 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 recognise the importance of an all-round education to the personal development of their children. These parents consider that international schools usually put more emphasis on students' critical thinking, advanced learning and creativity and provide a joyful learning environment with pastoral care for their children. Parents in China are sending approximately over 600,000 students overseas for further studies in 2018 alone.

Increasing Demand for Bilingual International Schools in China

Chinese parents generally believe that international schools in China that place a strong emphasis on English teaching 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 increasingly 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 in China and internationally.

The reduced pace of China's economic growth has not affected the plan of middle-income parents to send their children to bilingual international schools as they generally believe that a high-quality education is a worthwhile investment for 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 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 enrol foreign nationals. They are established 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. There is no mandatory national curriculum at preschool level.

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

The Group's Market Position

With over 24 years of experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering high quality, bilingual K-12 education, combining the merits of both Western and Chinese educational philosophies. The Group's high schools are certified by both the Ministry of Education of British Columbia ("**BC**"), Canada and Chinese educational authorities respectively, which allow the Group's graduates to receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, Maple Leaf Educational Systems has attained AdvancED Corporate Systems accreditation and all of the Group's high schools, middle schools, elementary schools and foreign national schools are accredited by AdvancED (now known as Cognia), the largest school accreditation agency in the United States of America. The Group's middle and elementary schools provide Chinese compulsory education with English enhancement classes to students. The Group's preschools provide a game-based, bilingual curriculum designed and developed by Maple Leaf Educational Systems.

The Group targets mainly Chinese students from the increasing affluence of middle-income families in China who aim to pursue higher education abroad and for whom our tuition fees are affordable and competitive. 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 (With the exception of Shanghai and Shenzhen being first-tier cities). As of 2019, over 16,000 high school students have successfully completed our high school program and become a significant part of the wave of Chinese studying in post-secondary institutions abroad.

BUSINESS REVIEW

The 2018/2019 school year was the fourth 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 2018/2019 school year, the Group's student enrolment was 41,241, which was in line with the expected target student enrolment set for the 2018/2019 school year pursuant to the Fifth Five-Year Plan. The Board is cautiously optimistic that the number of students to be enrolled at the end of the Fifth Five-Year Plan will achieve the expected target.

In 2015/2016 school year, 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. The Group believes that the MLES Guide is suitable for the majority of its students who aim to apply for English-language universities. For the year ended 31 August 2019, the Group graduated 2,116 high school students from our schools, 113 of whom received offers from the top 10 universities in the world, including Imperial College London and University College London, while 1,550 graduates, being more than 73.3% of the graduates, receiving offers from at least one of the MLES Global Top 100 universities.

Revenue

	Year ended 31 August			
	2019	**% of**	2018	% of
	RMB'000	**Total**	*RMB'000*	Total
Tuition fees				
— High school	**515,737**	**32.8**	531,340	39.6
— Middle school	**245,381**	**15.6**	190,010	14.2
— Elementary school	**451,587**	**28.9**	311,981	23.2
— Preschool	**76,786**	**4.9**	50,438	3.8
— Foreign national school	**29,026**	**1.8**	24,964	1.9
	1,318,517	**84.0**	1,108,733	82.7
Summer and winter camps	**54,096**	**3.4**	50,672	3.8
Textbooks	**46,044**	**2.9**	44,161	3.3
Others	**151,574**	**9.7**	137,701	10.2
Total	**1,570,231**	**100**	1,341,267	100

For the year ended 31 August 2019, tuition fees remained the major revenue contributor, accounting for over 84% of the total revenue. Tuition fees increased by RMB209.8 million or 1.3%, 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 2018/2019 school year.

Tuition fees generally include boarding fees. Tuition fees are mainly received prior to the beginning of each school year and are initially recorded as contract liabilities which were recorded as deferred revenue in the previous financial years. Tuition fees received in advance are then recognized as revenue proportionately across the relevant school year. For the 2018/2019 school year, the Group's high schools charged tuition fees ranging between RMB59,000 and RMB210,000.

Tuition fees from high schools decreased by 2.9%, while tuition fees from middle schools and elementary schools increased by 29.1% and 44.7% respectively. The positive performance in our middle schools and elementary schools was mainly attributable to the opening of 2 middle schools and 1 elementary school in the 2018/2019 school year and a significant growth in student enrolment in Yancheng, Xi'an and Ordos.

Revenue from other sources principally comprises revenue derived from self-operated supermarkets selling food and miscellaneous school supplies in our school campuses, sale of school uniforms and provision of other services. Revenue from other sources increased by RMB19.2 million, primarily due to an increase in the sale of school uniforms and an increase in the provision other services.

Student Enrolment

	At the end of school year			
	2018/2019	**% of Total**	2017/2018	% of Total
High school	**8,155**	**19.8**	8,987	26.8
Middle school	**8,841**	**21.4**	6,156	18.4
Elementary school	**18,771**	**45.5**	14,704	43.9
Preschool	**5,096**	**12.4**	3,264	9.8
Foreign national school	**378**	**0.9**	367	1.1
Total number of students enrolled	**41,241**	**100**	33,478	100

The total number of students enrolled at the end of the 2018/2019 school year increased by 7,763, or 23.2%, of which 63.0% came from the new schools opened in the 2018/2019 school year in Luzhou and Yancheng, while the remaining growth came from existing schools in Wuhan, Ordos and Xi'an.

At the end of the 2018/2019 school year, the proportion of high school students decreased while the aggregate proportion of middle school and elementary school students increased largely due to the additions of 2 middle schools and 1 elementary school in the 2018/2019 school year. This was in line with the Group's strategic objective of increasing the capacity of the Group's middle schools for the Group's high schools, improving the preparedness for high school entrants and reducing the need for student intake outside the Maple Leaf system.

Average Tuition Fee per Student

	For the year ended 31 August	
	2019	2018
Tuition fees *(RMB'000)*	**1,318,517**	1,108,733
Average student enrolment*	**37,359**	29,783
Average tuition fee per student# *(RMB'000)*	**35.3**	37.2

* 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 dropped by approximately 5.1%, due to the relatively lower average tuition fee rate charged by our acquired schools in Haikou and Luzhou as compared our existing school's average tuition fee rate and the large number of students enrolled in the elementary schools and preschools.

The Group's Schools

14 new schools were added to the Group's school network for the year ended 31 August 2019, including a preschool in Wuhan, Hubei Province, 7 preschools in Xiangyang, Hubei Province, a middle school and an elementary school in Luzhou, Sichuan Province, a high school and a middle school in Yancheng, Jiangsu Province, a preschool in Xi'an, Shaanxi Province, and a high school in Adelaide, South Australia.

As at 31 August 2019, the Group had 95 schools located in 24 cities in China, Canada and South Australia, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Huai'an, Pinghu, Xi'an, Haikou, Weifang, Huzhou, Yancheng, Shenzhen, Xiangyang, Luzhou, Kamloops, Richmond and Adelaide. The following table shows a summary of the Group's schools by category as at the end of the two financial years:

	As at 31 August	
	2019	2018
High schools	**15**	13
Middle schools	**24**	22
Elementary schools	**25**	24
Preschools	**28**	20
Foreign national schools	**3**	3
Total	**95**	82

Utilisation of the Group's Schools

The Group's utilisation rate is calculated as the number of students enrolled divided by the physical capacity for a given school. Except for the Group's preschools and foreign national schools, all of the Group's 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 the Group's foreign national schools, the capacity for students is calculated based on the number of desks in their classrooms. For the Group's 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	
	2018/2019	2017/2018
Total number of students enrolled	**41,241**	33,478
Total capacity	**60,400**	51,715
Overall utilisation	**68.3%**	64.7%

Total capacity for students increased due to the addition of 14 new schools in the 2018/2019 school year, especially in Xiangyang, Luzhou and Yancheng. The 3.6% increase in the overall utilisation rate was due to a significant increase in the number of students enrolled in existing school in Wuhan, Yancheng, Xi'an and Ordos and the increase in the number of students enrolled in the acquired schools in Luzhou and Xiangyang.

The Group's Teachers

	As at the end of school year	
	2018/2019	2017/2018
Total number of teachers	**3,433**	2,955

The total number of teachers increased primarily because more PRC-certified teachers were recruited for the opening of 2 middle schools, 1 elementary school and 8 preschools in the 2018/2019 school year. The Group's student-teacher ratio slightly increased from 11:1 to 12:1 from 2017/2018 to 2018/2019 school year, mainly due to the increased ratio of middle schools and elementary schools. As at the end of the 2018/2019 school year, the Group had approximately 408 BC-certified teachers compared to 397 at the end of the 2017/2018 school year. In the 2018/2019 school year, there was a 10%–15% increment in the salary rates of the Group's teachers.

RECENT BUSINESS UPDATE

Growth in Student Enrolment as at 15 October 2019

	As at 15 October		Change	Percentage Change
	2019	2018		
Total number of students enrolled	**41,508**	36,564	+4,944	+13.5%

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 as at 15 October represent unaudited internal statistics of the total number of students enrolled in the first term of the relevant school year for comparison purposes only.

According to the Group's experience, the Group expects student enrolment to further increase in the second half of the 2019/2020 school year because some new students will be admitted in the second term.

New Schools Opened in September 2019

As of 30 September 2019, the Group opened the following 5 new schools in China and Canada using an asset light model, after which the total number of schools were increased to 100.

City	Number of schools	Category of schools	Estimated Student Capacity
Xiangyang, Hubei Province	2	Middle school and elementary school	1,200
Jinan, Shandong Province	2	Middle school and elementary school	1,500
Thunder Bay, Ontario, Canada	1	High school	80

Acquisition in Luzhou

On 10 December 2018, the Group entered into a sale and purchase agreement (the "**SPA**") to acquire 66% equity interest in Luzhou No. 7 Jiade Education Investment Co., Ltd.* (the "**Target Company**") for a consideration of RMB184,800,000 (equivalent to approximately HK$210,167,178) which was satisfied in part by cash and in part by the allotment and issuance of 16,136,042 consideration shares by the Company. The Target Company operates Luzhou No. 7 Jiade International School* (the "**Target School**") which has more than 3,200 students and 380 teachers, and provides middle school and elementary school education in Luzhou, Sichuan Province, China.

On 23 January 2019, the Group further entered into a supplemental sale and purchase agreement (the "**Supplemental SPA**") amending the terms of the original SPA to acquire an additional 9% equity interest in the Target Company for an additional consideration of RMB25,200,000 (equivalent to approximately HK$28,659,960). The total consideration for the acquisition was adjusted to RMB177,000,000 (equivalent to approximately HK$201,302,100) pursuant to the terms of the Supplemental SPA.

The Group completed the acquisition of an aggregate of 75% equity interest in the Target Company on 24 January 2019. For details of the acquisition, please refer to the Company's announcements dated 10 December 2018 and 28 January 2019. The results of the Target Company and the Target School have been consolidated into the Group's results from March 2019 onward.

The acquisition of the Target School further expands the Group's school network and continues to build brand awareness in Chongqing and Sichuan Provinces. The Target School is the third school of the Group's Chongqing educational park and will add a stable student source for and increases enrolment of Chongqing High school. The acquisition of the Target School will improve the profitability of the Group and strengthen its leading position in the international education industry in China.

FUTURE DEVELOPMENT

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

The school year of 2018/2019 is the fourth year of the Group's Fifth Five-year Plan. In order to achieve the amended target student enrolment of over 45,000 by the end of the 2019/2020 school year pursuant to the Fifth Five-year Plan, the Group will continue to work towards the Group's strategic expansion from stand-alone schools to educational parks and from educational parks to educational school districts in China. The core of Maple Leaf Educational School Districts is to accelerate the establishment of a pyramid-shaped student structure to achieve a 12-year consistent education as well as to improve academic performance; to enhance the rate of internal admission; and to highlight the characteristic of Maple Leaf education starting from the elementary schools to form a system advantage to contribute long-term development. In the school years of 2017/2018 and 2018/2019, the Group established Hainan and Hubei Maple Leaf Educational School Districts respectively. The Group expects to set up one more educational district in Tianjin at the end of the Fifth Five-Year Plan.

The Sixth Five-Year Plan from 2020/2021 to 2024/2025 School Years

The Group is actively developing the blueprint for the sixth Five-Year Plan, the overall goal is to establish 10 educational school districts in China, and 2 educational school districts in North America and Asia Pacific areas at the end of the sixth Five-Year Plan with estimated target enrollment of 110,000 students. The Company has also introduced the new Maple Leaf World School Program ("**World School Program**"). Implementation of the World School Program will take place over a 3-year period commencing from September 2020. Pursuant to the World School Program, the Company's high school program in China will be shifting from the British Columbia curriculum to the Maple Leaf World School curriculum. The Company's first batch of graduates from the World School Program will receive the Maple Leaf High School Graduation Diplomas in June 2023, endorsed by Cognia (formerly known as AdvancED), which is the largest, globally recognized school accrediting agency in the world.

Expansion Strategies

The Group will continue to adopt multiple expansion strategies including, but not limited to, building more asset-light schools, acquiring of schools with synergy to the Group, and expansion of certain self-owned school campuses to achieve higher utilisation rates in both the PRC and overseas. The enforcement of the amended Law for Promoting Private Education and the full implementation of two-child policy create a good opportunity for the vigorous growth of student enrolment.

Expansion of Student Capacity for Self-owned School Campus

Driven by strong student placement, Wuhan, Tianjin (Teda) and Chongqing campuses have been overall fully utilized. Tianjin (Teda) and Chongqing campuses have completed expansion before the commencement of 2018/2019 school year. Capacity for 1,500 students is expected to be added at the commencement of the 2020/2021 school year in Wuhan.

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 more high schools in first-tier cities, including Beijing, and is exploring relevant potential opportunities to open middle and elementary schools in second and third-tier cities.

Overseas Expansion

Overseas expansion is part of the Group's long-term growth strategy. The Group believes that a global presence of Maple Leaf branded schools will definitely help the Group's student recruitment in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also in other regions of the world, such as North America, Australia and Southeast Asia. The Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL programs, it is well positioned to meet the demand for quality international K-12 education along the Belt and Road countries, where there is a demand for blending the best of Western and Chinese cultures.

Upon graduation from the Group's high schools, Maple Leaf students are admitted into a wide range of international universities principally in Canada, the United Kingdom, the United States, Australia and Switzerland. As interest to study in Australia among the Group's students has increased rapidly, a high school was opened in February 2019 at Mawson Lakes Campus of UniSA in Adelaide which is the third overseas school of Maple Leaf, MLES-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.

Project New Sprouts

Ensuring an adequate supply of quality school principals is a critical element for success in the Group's expansion. 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 the Group's schools recruit their master degree graduates with outstanding performance as the Group's trainee principals. After two years' study and on-the-job practicum, 10 successful trainees have been appointed for various positions at Maple Leaf middle or elementary schools.

MLES Future STEM Teacher Program

In collaboration with Thompson Rivers University and Lakehead University in Canada, and UniSA in South Australia, certain graduates from the Group's 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 by the Group's 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 the Group's high schools.

Other Talent Strategies

Two-year in-service training is an important platform for the Group's executives' continuous development. This continuous training program nurtured a large number of outstanding executives, including school principals, for the Group. The Maple Leaf "1+5" leadership team equips and operates new Maple Leaf schools with the Group's new model and new experience. The Educational Management and Leadership Master's Program at Royal Roads University enables executive candidates to embark on management careers and take on greater responsibilities in Maple Leaf in the future. The first two cohorts have successfully completed this program and the third cohort is being actively recruited across the Group.

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 UPDATE

Latest Development of the Implementation Rules for the Law for Promoting Private Education

Interpretation of the major terms of the Draft for Review

On 10 August 2018, the Ministry of Justice issued the "Implementation Rules for the Law for Promoting Private Education of the People's Republic of China (Revised Draft) (Draft for Review)" (《中華人民共和國民辦教育促進法實施條例（修訂草案）（送審稿）》) (the "**Draft for Review**") for public consultation. The Draft for Review outlines the detailed implementation measures for the top-level design of the classified management system of the higher level law of the Law for Promoting Private Education, which helps to regulate and facilitate the classified management, classified support and classified development of the private education in China, with an aim to promoting the distinctive and quality development of the private education by catering to the diversified and selective demands of different families for education in the new era.

The Draft for Review proposes certain restrictive measures such as "contractual arrangements", "education groups" and "connected transactions" to protect the legitimate interests and rights of the non-profit schools, particularly safeguarding the property interest of the non-profit schools and preventing the improper transfer of the operation revenue of the non-profit schools. These restrictive regulations represent the acknowledgement of the objective existence of "education groups" and "connected transactions" by the government, and also set out regulatory principles without detailed regulatory measures, which shall be implemented by the local governments through system innovation according to the development of their respective local economy and private education after the passing of the Implementation Rules.

While strengthening the regulation of the private schools, the Draft for Review specifies that private schools shall be entitled to tuition fee autonomy and tax preference policies enjoyed by the public schools, which will be beneficial to the operation of schools operated by entities under the listed education groups. The new law allows the private schools to enroll students from various regions after filing with the relevant authorities, which will not only enlarge the coverage of recruitment regions of the private schools but also enrich their student sources, contributing to the increase of the number of enrolled students of such schools.

The Draft for Review proposes classified reform on existing private schools, which shall be conducted in a smooth and orderly manner after taking into consideration of the history and actual situation of such schools.

After the issue of the Draft for Review on 10 August 2018, some local governments such as Sichuan and Wenzhou have issued their own Local Implementation Rules for the Law for Promoting Private Education, with an aim to encouraging the expansion of resources to develop quality private education, enlarging the operation scale of the schools and realizing the group-oriented development of private schools, which represents the initial legislation intention by the state and local governments to encourage the healthy development of private education.

Maple Leaf Education sticking to the group-oriented development strategy in view of huge potential in the international education market

Maple Leaf Education always sticks to the strategy of rich connotation, brand image, distinctive characteristics as well as quality development, which is in line with the development guideline for private schools stipulated by the new law and new policies. With the further implementation of economic reform in China, international education plays an increasingly greater role in supporting the development of the city's economy. Maple Leaf Education expects to explore greater market potential in anticipation of increased market share of the international education.

For future development, Maple Leaf Education has basically completed the development layout for its "Fifth Five-Year Plan", and has made steady progress in overseas development. There is still room for improvement in the utilization of school resources within the Group, providing promising prospect for endogenous development. Endorsed by its sophisticated management system and curriculum system modes and stable school operation capability, Maple Leaf Group represents a favourable brand choice for cooperation with the government in school operation.

FINANCIAL REVIEW

Revenue

The Group derives revenue from tuition fees from the Group's high schools, middle schools, elementary schools, preschools and foreign national schools, the sale and lease of textbooks and other educational materials to the Group's students, fees from the Group's summer and winter camps, revenue from other educational services and revenue from the self-operated supermarkets in the Group's school campuses.

Total revenue of the Group increased by RMB228.9 million, or 17.1%, from RMB1,341.3 million for the financial year ended 31 August 2018 to RMB1,570.2 million for the financial year ended 31 August 2019. The increase was primarily due to the increase in revenue from tuition fees by RMB209.8 million and the increase in revenue from others by RMB19.2 million.

Revenue from tuition fees increased by18.9% from RMB1,108.7 million for the financial year ended 31 August 2018 to RMB1,318.5 million for the financial year ended 31 August 2019, largely due to the increase in student enrolment by 23.2%. Revenue from others increased by 8.2% from RMB232.5 million for the financial year ended 31 August 2018 to RMB251.7 million for the financial year ended 31 August 2019, mainly due to an increase in provision of school uniforms and an increase in provision of other services.

Cost of Revenue

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

Cost of revenue increased by RMB118.2 million, or 16.5%, from RMB717.2 million for the financial year ended 31 August 2018 to RMB835.4 million for the financial year ended 31 August 2019. The increase was largely due to an increase in teaching staff costs by RMB67.2 million, an increase in depreciation and amortization by RMB28.0 million, and an increase in other costs by RMB20.6 million.

Teaching staff costs increased by 14.6% from RMB458.9 million for the financial year ended 31 August 2018 to RMB526.1 million for the financial year ended 31 August 2019, primarily due to an increase in the number of teachers from 2,955 as at the end of the 2017/2018 school year to 3,433 as at the end of the 2018/2019 school year and an increase in staff salaries of the Group since September 2018. Depreciation and amortization increased from RMB62.7 million for the financial year ended 31 August 2018 to RMB90.7 million for the financial year ended 31 August 2019, primarily due to additional depreciation charge for the Group's schools in Pingdingshan and Haikou from September 2018. Other costs increased from RMB153.8 million for the financial year ended 31 August 2018 to RMB174.4 million for the financial year ended 31 August 2019, 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 17.7% from RMB624.1 million for the financial year ended 31 August 2018 to RMB734.8 million for the financial year ended 31 August 2019. The Group's gross margin remained constant from 46.5% for the financial year ended 31 August 2018 to 46.8% for the financial year ended 31 August 2019.

Investment and Other Income

Investment and other income consist mainly of interest income from the Group's bank deposits, rental income from investment properties and government grants. Investment and other income increased by 13.4% from RMB54.3 million for the financial year ended 31 August 2018 to RMB61.6 million for the financial year ended 31 August 2019. Bank interest income increased by 45.0% from RMB25.1 million for the financial year ended 31 August 2018 to RMB36.3 million for the financial year ended 31 August 2019. For the financial year ended 31 August 2019, government grants increased by RMB3.2 million primarily due to more immediate retreat of tax received from government during this period.

Other Gains and Losses

Other gains and losses consist primarily of gains on the extinguishment of other payables, gain or loss on financial investments and foreign exchange gains and losses. Other gains and losses increased from a gain of RMB75.7 million for the financial year ended 31 August 2018 to a gain of RMB128.8 million for the financial year ended 31 August 2019. The increase was mainly attributable to the combined effects of (i) a decrease in net loss on foreign exchange of RMB14.6 million, (ii) an increase in a gain arising from changes in fair value of financial assets measured at FVTPL by RMB12.5 million, and (iii) an increase in a gain on the extinguishment of other payables by RMB15.4 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 decreased by 15.0% from RMB40.0 million for the financial year ended 31 August 2018 to RMB34.0 million for the financial year ended 31 August 2019. Marketing expenses as a percentage of revenue decreased from 3.0% for the year ended 31 August 2018 to 2.2% for the year ended 31 August 2019, 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 28.1% from RMB155.6 million for the financial year ended 31 August 2018 to RMB199.3 million for the financial year ended 31 August 2019, due to the Group has increased staff salaries from September 2018. However, administrative expenses as a percentage of total revenue only slightly increased from 11.6% for the financial year ended 31 August 2018 to 12.7% for the year ended 31 August 2019 as a result of the Group's effective cost control measures.

Finance Costs

For the financial year ended 31 August 2019, finance costs mainly represented interest expenses for secured bank borrowings. Finance costs increased from RMB10.6 million for the financial year ended 31 August 2018 to RMB11.0 million for the financial year ended 31 August 2019 primarily due to the increment of interest rate for bank borrowings.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB680.9 million for the financial year ended 31 August 2019, compared with RMB547.9 million for the financial year ended 31 August 2018. Profit before taxation as a percentage of revenue of the Group was 43.4% for the financial year ended 31 August 2019, compared with 40.8% for the financial year ended 31 August 2018.

Taxation

Income tax expense of the Group increased from RMB9.5 million for the financial year ended 31 August 2018 to RMB26.7 million for the financial year ended 31 August 2019, mainly due to the accumulated tax losses from previous years for diploma education business have been fully applied. The effective tax rate of the Group for the financial years ended 31 August 2019 and 2018 was 3.9% and 1.7% respectively. The increase in the Group's effective tax rate was primarily due to some of the diploma education business started to pay China EIT.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 21.5% from RMB538.4 million for the financial year ended 31 August 2018 to RMB654.2 million for the financial year ended 31 August 2019.

Adjusted Net Profit

Adjusted net profit was derived from adjusting the profit for the year 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	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**654,169**	538,403
Add:		
Dividend income from held for trading investments	**(497)**	(2,934)
Share-based payments	**36,591**	56,924
Adjusted net profit	**690,263**	592,393

Adjusted net profit for the year ended 31 August 2019 increased by RMB97.9 million or 16.5%. Adjusted net profit margin was 44.0% for the year ended 31 August 2019, and compared with 44.2% for the year ended 31 August 2018.

Capital Expenditures

For the year ended 31 August 2019, the Group paid RMB135.3 million for property and equipment primarily related to the buildings for certain schools in Yiwu, Zhejiang Province and Tianjin Teda and Maple Leaf Red Clothing Company. For the year ended 31 August 2018, the Group paid RMB214.4 million for property and equipment primarily related to the buildings of schools in Pingdingshan, Henan Province, Haikou, Hainan Province and Chongqing.

Liquidity, Financial Resources and Capital Structure

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

	Year ended 31 August	
	2019	2018
	RMB'000	*RMB'000*
Net cash from operating activities	**857,009**	750,359
Net cash used in investing activities	**(38,356)**	(758,129)
Net cash (used in) from financing activities	**(304,066)**	544,268
Net increase in cash and cash equivalents	**514,587**	536,498
Cash and cash equivalents as at 1 September	**2,220,694**	1,649,296
Effect of foreign exchange rate changes	**27,047**	34,900
Cash and cash equivalents as at 31 August represented by bank balances and cash	**2,762,328**	2,220,694

As at 31 August 2019, the Group's bank balances and cash amounted to RMB2,762.3 million, were mainly denominated in RMB and HK$. Bank balances and cash increased mainly because of the increment of contractual liabilities which were recorded as deferred revenue in the previous financial years and the disposal of short-term investments.

As at 31 August 2019, the Group's bank borrowings were RMB331.0 million which were mainly denominated in Singapore Dollar, with variable interest rates with reference to Singapore Interbank Offered Rate. Of the Group's bank borrowings as at 31 August 2019, 36% will mature every month and subject to roll over and the remaining 64% will mature in the second year. These bank borrowings were secured by the Group's bank deposits and investment properties.

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. Gearing ratio decreased from 11.7% for the year ended 31 August 2018 to 7.8% for the year ended 31 August 2019 primarily due to the repayment of bank loan during this period.

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 HK$, USD, CAD and SGD. As at 31 August 2019, certain bank balances and cash and liabilities were denominated in HK$, USD, CAD and SGD. The Group did not enter into any financial arrangement for hedging purposes as it is expected that its foreign exchange exposure will not be material.

Contingent Liabilities

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

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option provided in the Agreement. Zhixin Case is still in the process of filing pleadings by both parties.

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 2019, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

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

Pledge of Assets

As at 31 August 2019, the Group pledged a total bank deposits of RMB132.0 million and certain investment properties with an aggregate carrying amount of RMB348.1 million to certain licensed banks for certain banking facilities.

Material Acquisition and Disposal of Subsidiaries

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 August 2019.

Significant Investment Held

As at 31 August 2019, no significant investment was held by the Group.

Employee Benefits

As at 31 August 2019, the Group had 6,170 (2018: 5,369) full-time employees. The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a post-IPO share option scheme 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 2019 amounted to RMB625.8 million (2018: RMB584.1 million).

USE OF PROCEEDS

Use of proceeds from the placing and subscription

The net proceeds from the placing and subscription of 110,000,000 shares of the Company, after deducting placing commission and related expenses, amounted to approximately HK$989.5 million (equivalent to approximately RMB813.8 million as at the date of completion, being 17 January 2018) which is intended to be applied in the manner as set out in the section headed "Reasons for the Placing and the Subscription and Use of Proceeds" of the Company's announcement dated 12 January 2018 and in the section headed "Completion of the Placing and the Subscription" of the Company's announcement dated 17 January 2018.

- approximately 95% (representing approximately HK$940.0 million) is expected to be used as cash reserves for potential overseas acquisitions and payment of the related expenses; and

- approximately 5% (representing approximately HK$49.5 million) is expected to be used for other general corporate purposes to expand and enhance the existing business of the Company.

As at the date of this announcement, approximately HK$38.4 million has been used for other general corporate purposes to expand and enhance the existing business of the Company.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Compliance with the Corporate Governance Code

During the year ended 31 August 2019 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 officer ("**CEO**") should not be performed by the same individual.

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

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2019.

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

During the year ended 31 August 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Annual General meeting

The 2020 Annual General Meeting ("**AGM**") will be held on 22 January 2020 (Wednesday). A notice convening the AGM will be published and dispatched to the Shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Final Dividend

The Board has resolved to recommend the payment of a final dividend of HK$5.6 cents per share for the year ended 31 August 2019 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company at the close of business on 5 February 2020 (Wednesday). Subject to the approval by Shareholders at the forthcoming AGM to be held on 22 January 2020 (Wednesday), the proposed final dividend is expected to be paid on or about 13 February 2020 (Thursday).

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 22 January 2020 (Wednesday), the register of members of the Company will be closed from 16 January 2020 (Thursday) to 22 January 2020 (Wednesday), 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 branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 15 January 2020 (Wednesday).

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 4 February 2020 (Tuesday) to 5 February 2020 (Wednesday), 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 2019, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 February 2020 (Monday).

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. Xiaodan Mei (resigned on 31 August 2019) and Mr. Alan Shaver (appointed on 31 August 2019), 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 2019 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 2019

Up to the date of announcement, the Group has no subsequent event after 31 August 2019 which required disclosure.

Publication of the Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.mapleleaf.cn. The annual report of the Group for the year ended 31 August 2019 will be dispatched to the Shareholders of the Company and make available for review on the aforesaid websites 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, 28 November 2019

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. Alan Shaver and Mr. Lap Tat Arthur Wong as Independent Non-executive Directors.

* *For identification purposes only*