M L E S
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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

HIGHLIGHTS

- The growth of our core business remains stable, as a result of an improvement in utilization and an increase of tuition fee rate in certain schools.
- The integration of the Group's acquired schools is making good progress and the student enrollment and tuition fee rate have achieved ideal growth.
- The development of asset-light schools is progressing in an orderly manner. The new asset-light model school located in Horinger new area, Inner Mongolia will open in September 2020.
- The Maple Leaf World School Program will officially launch at the commencement of school year 2020/2021, which will be China's first international curriculum with self-developed intellectual property.
- The total number of overseas university offer letters received have greatly exceeded that of the same period of last year, 208 students have received offers from the QS Top 10 universities.

Financial performance

	Six months ended			
	29 February 2020	28 February 2019	**Change**	**Percentage Change**
	RMB'000	*RMB'000*	*RMB'000*	
	(unaudited)	(unaudited)		
Revenue	**791,813**	744,396	+47,417	+6.4%
Tuition and boarding fee	**711,601**	631,108	+80,493	+12.8%
Others *(Note)*	**80,212**	113,288	–33,076	–29.2%
Gross profit	**351,279**	326,786	+24,493	+7.5%
Profit for the period	**263,953**	281,214	-17,261	-6.1%
Adjusted net profit	**274,993**	304,357	-29,364	-9.6%
Earnings per share				
Basic *(RMB cents)*	**8.81**	9.64	-0.83	-8.6%
Diluted *(RMB cents)*	**8.81**	9.64	-0.83	-8.6%

Note:

Revenue from other sources decreased amid the outbreak of COVID-19.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

The board (the "**Board**") of directors (the "**Directors**") of China Maple Leaf Educational Systems Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 29 February 2020. These interim results have been reviewed by the Company's Audit Committee (the "**Audit Committee**") and the Company's external auditors, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

		Six months ended	
		29 February	28 February
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**791,813**	744,396
Cost of revenue		**(440,534)**	(417,610)
Gross profit		**351,279**	326,786
Investment and other income	*4*	**28,834**	34,659
Other gains and losses	*5*	**19,091**	56,953
Marketing expenses		**(15,542)**	(13,993)
Administrative expenses		**(102,866)**	(102,750)
Finance costs		**(8,125)**	(5,581)
Profit before taxation		**272,671**	296,074
Taxation	*6*	**(8,718)**	(14,860)
Profit for the period	*7*	**263,953**	281,214
Other comprehensive expense for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(6,618)**	(2,417)
Total comprehensive income for the period		**257,335**	278,797
Profit (loss) for the period attributable to:			
Owners of the Company		**261,674**	284,270
Non-controlling interests		**2,279**	(3,056)
		263,953	281,214
Total comprehensive income (expense) attributable to:			
Owners of the Company		**255,056**	281,853
Non-controlling interests		**2,279**	(3,056)
		257,335	278,797
EARNINGS PER SHARE			
Basic *(RMB cents)*	*9*	**8.81**	9.64
Diluted *(RMB cents)*	*9*	**8.81**	9.64

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 29 FEBRUARY 2020

	NOTES	**At 29 February 2020 *RMB'000* (unaudited)**	At 31 August 2019 *RMB'000* (audited)
Non-current Assets			
Property, plant and equipment	*10*	**2,511,572**	2,419,241
Right-of-use assets		**459,053**	–
Prepaid lease payments		**–**	263,412
Investment properties	*10*	**349,067**	348,065
Goodwill	*11*	**252,848**	252,848
Other intangible assets		**38,041**	44,012
Deposit paid for acquisition of property and equipment		**9,964**	13,640
Books for lease		**1,875**	2,055
Pledged bank deposits		**137,613**	132,000
		3,760,033	3,475,273
Current Assets			
Inventories		**11,456**	15,337
Deposits, prepayments and other receivables	*12*	**132,068**	144,283
Financial assets at fair value through profit or loss		**10,451**	76,066
Restricted cash	*13*	**50,672**	50,447
Bank balances and cash		**2,094,883**	2,762,328
		2,299,530	3,048,461
Current Liabilities			
Contract liabilities	*14*	**712,437**	1,375,604
Lease liabilities		**17,282**	–
Other payables and accrued expenses	*15*	**357,970**	436,815
Income tax payable		**63,997**	83,085
Borrowings	*16*	**123,941**	123,475
		1,275,627	2,018,979
Net Current Assets		**1,023,903**	1,029,482
Total Assets Less Current Liabilities		**4,783,936**	4,504,755

	NOTE	At 29 February 2020 RMB'000 (unaudited)	At 31 August 2019 RMB'000 (audited)
Capital And Reserves			
Share capital		**9,309**	9,309
Reserves		**4,260,223**	4,143,594
Equity attributable to owners of the Company		**4,269,532**	4,152,903
Non-controlling interests		**95,151**	92,872
Total Equity		**4,364,683**	4,245,775
Non-Current Liabilities			
Deferred tax liabilities		**49,632**	51,466
Borrowings	*16*	**200,707**	207,514
Lease liabilities		**168,914**	–
		419,253	258,980
		4,783,936	4,504,755

1. BASIS OF PREPARATION

The condensed consolidated financial statements of China Maple Leaf Educational Systems Limited ("**the Company**") and its subsidiaries (collectively referred to as the "**Group**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 29 February 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2019.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs and International Accounting Standards ("**IASs**") issued by the International Accounting Standards Board which are mandatory effective for the annual period beginning on or after 1 September 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Types of goods or services		
Tuition and boarding fees	**711,601**	631,108
Summer and winter camps	**3,373**	27,642
Sales of textbooks	**30,341**	30,229
Others	**46,498**	55,417
	791,813	744,396

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Timing of revenue recognition		
Over time	**725,764**	686,604
A point in time	**66,049**	57,792
	791,813	744,396

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

4. INVESTMENT AND OTHER INCOME

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**11,558**	13,928
Rental income from investment properties	**9,238**	7,549
Government grant	**7,965**	13,182
Others	**73**	–
	28,834	34,659

5. OTHER GAINS AND LOSSES

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Gain arising from changes in fair value of financial assets measured at FVTPL	**20,148**	32,198
Reversal of other payables	**6,128**	37,168
Net foreign exchange gain (loss)	**533**	(12,692)
Impairment loss in respect of property, plant and equipment *(Note 10)*	**(7,276)**	–
Loss on disposal of property, plant and equipment	**(82)**	(736)
Others	**(360)**	1,015
	19,091	56,953

6. TAXATION

	Six months ended	
	29 February	28 February
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises		
Current tax:		
PRC enterprise income tax	**10,552**	16,507
Deferred tax:		
Current period	**(1,834)**	(1,647)
	8,718	14,860

7. PROFIT FOR THE PERIOD

	Six months ended	
	29 February	28 February
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**339,470**	308,121
— retirement benefit scheme contributions	**15,546**	15,299
— share-based payments	**11,040**	23,143
Total staff costs	**366,056**	346,563
Gross rental income from investment properties	**(9,238)**	(7,549)
Less:		
Direct operating expenses incurred for investment properties (included in administrative expenses)	**817**	844
	(8,421)	(6,705)
Depreciation of property, plant and equipment	**42,235**	37,793
Net gain arising on financial assets measured at FVTPL	**20,148**	32,198
Depreciation of right-of-use assets	**16,242**	–
Depreciation of investment properties	**2,068**	1,922
Amortisation of books for lease	**831**	1,838
Release of prepaid lease payments	**–**	2,906

8. DIVIDENDS

During the current interim period, a final dividend of HK$5.6 cents (equivalent to approximately RMB5.0 cents) per share (total dividend of RMB150,656,000) in respect of the year ended 31 August 2019 was paid to shareholders. Subsequent to the end of the current interim period, the directors of the Company determined no interim dividend will be paid for the six months ended 29 February 2020 (for the six months ended 28 February 2019: HK$4.7 cents, equivalent to approximately RMB4.1 cents, total dividend of RMB122,621,000).

9. EARNINGS PER SHARE

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

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**261,674**	284,270

	Six months ended	
	29 February 2020	28 February 2019
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,970,384**	2,948,598
Effect of dilutive potential ordinary shares	**5**	797
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,970,389**	2,949,395

The number of shares adopted in the calculation of the basic earnings per share and the diluted earnings per share for the six months ended 29 February 2020 and 28 February 2019 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 six months ended 29 February 2020 and 28 February 2019 has been arrived after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

The number of shares adopted in the calculation of the diluted earnings per share for the six months ended 29 February 2020 and 28 February 2019 has been arrived after assuming the exercise of the Company's outstanding share options and unvested shares of the Company held under the Share Award Scheme.

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

During the current interim period, the Group disposed of certain equipment with an aggregate carrying amount of approximately RMB159,000 (for the six months ended 28 February 2019: RMB2,474,000) for cash proceeds of approximately RMB77,000 (for the six months ended 28 February 2019: RMB1,738,000), resulting in a loss on disposal of approximately RMB82,000 (for the six months ended 28 February 2019: RMB736,000).

The Group paid a net cash consideration of RMB140,799,000 to purchase property, plant and equipment (for the six months ended 28 February 2019: RMB82,708,000).

An impairment loss of RMB7,276,000 were recognized during the current interim period in respect of a construction in progress in South Korea.

During the current interim period, the Group acquired investment properties for a cash consideration of RMB10,244,000.

11. GOODWILL

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost and carrying values:		
At 1 September	**252,848**	165,968
Arising on acquisition of subsidiaries	**–**	74,310
At 29 February or 28 February	**252,848**	240,278

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 29 February 2020	At 31 August 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Receivable from third parties	**42,986**	39,028
Short-term loan to a third party	**31,036**	30,000
Management fees receivables	**23,527**	31,384
Prepaid rent and other prepaid expenses	**10,845**	11,113
Deposits	**6,077**	5,910
Prepaid value added tax and other tax	**3,012**	–
Staff advances	**752**	1,069
Prepaid lease payments	**–**	7,323
Others	**13,833**	18,456
	132,068	144,283

13. RESTRICTED CASH

During the year ended 31 August 2019, the Group placed RMB48,509,000 in a bank account managed by both the Group and the seller of the acquisition target in Jiade, and therefore the amount deposited is recorded as restricted cash. This acquisition was completed on 15 March 2019.

During the year ended 31 August 2019, the Group placed RMB2,163,000 in a bank account managed by both the Group and the seller of five schools in Hainan, therefore the amount deposited is recorded as restricted cash. This acquisition was completed in 1 June 2018, and the amount will be paid to the seller upon satisfaction of certain conditions in relation to the construction project acquired.

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

14. CONTRACT LIABILITIES

	At 29 February 2020 *RMB'000* **(unaudited)**	At 31 August 2019 *RMB'000* (audited)
Tuition and boarding fees	**686,453**	1,302,744
Others	**25,984**	72,860
Contract liabilities	**712,437**	1,375,604

Contract liabilities of the Group were expected to be recognized as revenue within one year.

15. OTHER PAYABLES AND ACCRUED EXPENSES

	At 29 February 2020 *RMB'000* **(unaudited)**	At 31 August 2019 *RMB'000* (audited)
Miscellaneous expenses received from students *(Note)*	**142,565**	193,121
Payables for purchase of property, plant and equipment	**66,378**	67,702
Acquisition consideration payable	**61,968**	68,718
Accrued payroll	**18,627**	23,660
Deposits received from students	**11,220**	17,278
Payables for purchase of goods	**5,016**	6,485
Accrued operating expenses	**4,219**	2,326
Prepayment from lessee	**368**	3,942
Other tax payables	**–**	6,804
Others	**47,609**	46,779
	357,970	436,815

Note: The amount represents miscellaneous expenses received from students and the Group will pay out on their behalf.

16. BORROWINGS

	At 29 February 2020 *RMB'000* (unaudited)	At 31 August 2019 *RMB'000* (audited)
Secured bank borrowings	**324,648**	330,989
The carrying amounts of the above borrowings are repayable:		
Within one year	**123,941**	123,475
One to two years	**4,822**	4,926
Two to five years	**195,885**	202,588
	324,648	330,989
Less: Amounts shown under current liabilities	**(123,941)**	(123,475)
Amounts shown under non-current liabilities	**200,707**	207,514

During the financial year ended 31 August 2017, the Group obtained bank loans amounting to Singapore Dollars ("**S$**") 67,303,000 (equivalent to RMB330,833,000). The bank loans are secured by pledged deposits of RMB132,000,000 of Dalian Maple Leaf Educational Group Co., Ltd., mortgaged over investment properties with a carrying amount of RMB329,519,000, existing and future legal assignment of sales proceeds, rental proceeds, rental deposits and other rights of Maple Leaf Education Hillside Pte. Limited. The Group repaid the bank loan amounting to S$480,000 (equivalent to RMB2,428,000) during the current interim period. The loans carry interest at variable interest rates from 2.21% to 3.41% (31 August 2019: 2.03% to 3.76%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over twenty five 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 preschool to grade 12 education combining the merits of both Western and Chinese educational philosophies. Our high schools (for students from grade 10 to 12) are certified by both the Ministry of Education of British Columbia ("**BC**"), Canada and Chinese educational authorities respectively, which allow our graduates to receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, the Maple Leaf Educational Systems has attained Cognia (Formerly known as AdvancED) Corporate Systems accreditation and all of its high schools, middle schools, elementary schools and foreign national schools are accredited by Cognia, the largest school accreditation agency in the world. We target mainly Chinese students from middle class families in China who aim to pursue higher education abroad and for whom our tuition fees are affordable and competitive.

The Group's Schools

At the commencement of the 2019/2020 school year, 5 new schools were added to our school network. In September 2019, the Group opened a middle school and an elementary school in Xiangyang, Hubei Province; a middle school and an elementary school in Ji'nan, Shandong Province; and a high school in Thunder Bay, Ontario, Canada.

As at 29 February 2020, the Group had 100 schools located in 26 cities in China, Canada and Australia, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Pinghu, Xi'an, Huai'an, Yancheng, Huzhou, Weifang, Haikou, Shenzhen, Xiangyang, Luzhou, Ji'nan, Kamloops, Richmond, Thunder Bay and Adelaide. The following table shows a summary of our schools by category as at the end of the two periods:

	At 29 February 2020	At 28 February 2019
High schools	**16**	15
Middle schools	**26**	23
Elementary schools	**27**	24
Preschools	**28**	28
Foreign national schools	**3**	3
Total	**100**	93

Revenue

	For the six months ended			
	29 February 2020 *RMB'000*	**% of Total**	28 February 2019 *RMB'000*	% of Total
Tuition fees				
— High school	**253,141**	**32.0**	254,656	34.2
— Middle school	**141,489**	**17.9**	110,364	14.8
— Elementary school	**261,955**	**33.1**	219,626	29.5
— Preschool	**39,791**	**5.0**	31,855	4.3
— Foreign national school	**15,225**	**1.9**	14,607	2.0
Total of tuition fees	**711,601**	**89.9**	631,108	84.8
Summer and winter camps	**3,373**	**0.4**	27,642	3.7
Sales of textbooks	**30,341**	**3.8**	30,229	4.1
Others	**46,498**	**5.9**	55,417	7.4
Total revenue	**791,813**	**100**	744,396	100

For the six months ended 29 February 2020, tuition fees remained our major revenue contributor, accounting for over 89.9% of total revenue. Tuition fees generally include boarding fees, and tuition fees are mainly paid prior to the beginning of each school year and are initially recorded as contract liabilities. Tuition fees received in advance are recognized as revenue proportionately over the relevant school year. For the six months ended 29 February 2020, tuition fees received by the Group increased by RMB80.5 million, or 12.8%, mainly due to an increase in overall student enrolment during this period.

Tuition fees received from our high schools decreased by 0.6%, while tuition fees received from middle schools and elementary schools increased by 28.2% and 19.3% respectively. The positive performance in our middle schools and elementary schools was mainly attributable to the opening of 2 new middle schools and 2 new elementary schools in September 2019.

Due to the impact of the outbreak of COVID-19, revenue from other sources for the six months ended 29 February 2020 decreased by 29.2% or RMB33,076,000.

Student Enrolment

	At 29 February 2020	At 28 February 2019	Change	Percentage Change
Total number of students enrolled	**41,076**	36,099	**+4,977**	**+13.8%**

The total number of students enrolled increased due to (i) an increase in student enrolment at our existing schools in Dalian Ganjingzi and Shenzhen; and (ii) the opening of new schools in Xiangyang and Ji'nan, with effect from September 2019. These numbers do not include the approximately 1,100 students enrolled at the newly acquired Kingsley International School in Malaysia.

Average Tuition Fee per Student

	For the six months ended 29 February 2020	28 February 2019
Tuition fees *(RMB'000)*	**711,601**	631,108
Average student enrolment^	**41,158**	34,789
Average tuition fee per student# *(RMB'000)*	**17.3**	18.1

^ Average student enrolment is calculated by taking the average of the total number of students enrolled at the end of six months period and the total number of students enrolled at the end of the previous school year.

Average tuition fee per student is calculated by dividing tuition fees for the six months period by average student enrolment.

Average tuition fee per student decreased by approximately 4.4% due to the average tuition fee rate of acquired schools in Haikou and Xiangyang is below our existing schools' average tuition fee rate. Moreover, as the Group is establishing a pyramid-shaped student structure, there is an increase in the number of students enrolled in the middle schools, elementary schools and preschools which charge a relatively lower tuition fee as compared to the average tuition fee charged by the Group.

Utilization of the Group's Schools

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

	At 29 February 2020	At 28 February 2019
Total number of students enrolled	**41,076**	36,099
Total capacity	**64,620**	57,300
Overall utilization	**63.6%**	63.0%

Total capacity increased primarily due to the opening of schools in Xiangyang and Ji'nan in September 2019. The overall utilization rate remained stable due to the consistent increase in student enrollments as well as capacity.

The Group's Teachers

	At 29 February 2020	At 28 February 2019
Total number of teachers	**3,521**	3,147

The total number of teachers increased primarily because more PRC-certified teachers were recruited for the opening of 2 middle schools and 2 elementary schools at the commencement of the 2019/2020 school year. Our student-teacher ratio slightly increased from 11.5:1 to 11.7:1 mainly due to the ratio increased in middle schools and elementary schools.

OUTLOOK

Development Strategies

The Group will continue to adopt multiple expansion strategies including, but not limited to, increasing tuition fee rate, building more asset-light schools, acquisitions 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.

Future New School Development

The Group has an established pipeline of opening new schools in China and overseas. The newly acquired Kingsley school which is situated in Kuala Lumpur, Malaysia has a capacity of 2,600 students and will be added to our school network from March 2020 onwards. In 2020/2021 school year, the Group will open a middle school and an elementary school in Horinger new area, Hohhot, Inner Mongolia; an elementary school in Dalian, Liaoning Province; a middle school and an elementary school in Tianjin; and a preschool in Xiangyang, Hubei Province; Of which, the Tianjin schools will be built by the Group; the Kingsley school was acquired by the Group; the Dalian elementary school will be opened in our existing boys campus, high school; and the Xiangyang and Hohhot schools and campuses will be developed with an asset-light model. In aggregate, 6,370 new spaces will be added to our total capacity. We expect to open all new schools as scheduled.

Expansion of Student Capacity for Our Established School Campus

Driven by the strong student enrolment, the Wuhan campus was fully utilised as of 29 February 2020. We expect to expand our school in Wuhan, and capacity for an additional 1,500 students will be added to our total capacity in the beginning of 2020/2021 school year.

Acquisition of a subsidiary

On 29 January 2020, the Company announced the offer to acquire all the ordinary shares of Kingsley Edugroup Limited ("**Kingsley**"), the ordinary shares of which are listed on GEM of the Stock Exchange, at a price of HK$0.54 per share and the total consideration is approximately HK$432,000,000 (equivalent to approximately RMB391,344,480). On 18 March 2020, the Company received valid acceptances in respect of an aggregate of 779,280,000 shares, representing approximately 97.41% of the entire issued share capital of Kingsley. A total of 20,720,000 shares, representing approximately 2.59% of the entire issued share capital of Kingsley are held by the public, As Kingsley does not fulfil the public float requirement as set out under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"), the shares of Kingsley was suspended from trading from 19 March 2020 due to insufficient public float pursuant to Rule 11.23(7) of GEM Listing Rules. The Company will exercise the compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and the Companies Law to privatize Kingsley. Please refer to the announcements and circular of the Company dated 29 January 2020, 19 February 2020, 25 February 2020, 26 February 2020, 28 February 2020 and 18 March 2020 for further details.

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 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 Southeast Asia and North America. Accordingly, the Group will explore opportunities for opening more Maple Leaf brand bilingual schools outside of mainland China such as Southeast Asia, along belt and road countries and Canada, where there is a demand for blending the best of Western and Chinese culture.

World school program

The Group will implement world school program ("**the World School Program**") from the commencement of 2020/2021 school year as scheduled in high schools in China. The World School Program will be the first international curriculum with self-developed intellectual property in China. The Word School Program has been endorsed by Cognia (formerly known as AdvancEd), the largest school accreditation agency in the world. The Group is working with the National Recognition Information Centre for the United Kingdom ("**UK NARIC**") for an independent review and benchmarking analysis of the Maple Leaf World Schools Program. Preparation work for the implementation of the World School Program is now progressing on track.

University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. As of April 2020, 2,299 Maple Leaf high school students of the class of 2020 have received over 5,313 offers from universities in 11 countries. The total offers received exceeded last year's record at the same period. The rate of our university placements continues to rise. As of April 2020, 208 of our students have received offers from QS Top 10 universities including prestigious University College London and Imperial College in the United Kingdom. The offers received in aggregate exceeded last year's record at the same period significantly.

Grant of Share Options and Share Awards

The Board realizes the importance of the retention and attraction of talents who are able to make significant contributions to the Group. Accordingly, the Company has adopted various share incentive schemes including share option schemes and share award scheme. The Board believes that the commitment of our staff and teachers to Maple Leaf is encouraged by sharing our success with our staff and increasing the number of employee shareholders.

The impact of COVID-19

In early 2020, the global outbreak of novel coronavirus (COVID-19) has certain impact on the education business of the Company, mainly due to global travel restrictions and various precaution measurements undertaken by respective local authorities which inter alia, include closure of campus and delays in school commencement during the outbreaks period. The Group has put in place certain alternative action plans for the students during the campus closure period, which include implementation of online teaching and consultation. Maple Leaf applied Canvas online system to optimize the physical experience and quality of lectures in high school, As the mainland epidemic situation gradually improved, most of the Group's schools re-opened in batches. Before the opening of the schools, Maple Leaf have thoroughly cleaned and disinfected all campuses and ensured that the supply of various epidemic prevention materials is sufficient to improve campus safety.

The Group will continue to assess and closely monitor the possible impact of the risks and uncertainties related to the COVID-19 epidemic on the Group's business and financial performance.

Conclusion

As at 29 February 2020, contract liabilities amounted to RMB712.4 million, providing an indication of the amount that will be recognized as tuition revenue for the second half of the year ending 31 August 2020. It is also expected that additional revenue will be recorded from classes and graduation consulting services in the second half of the year ending 31 August 2020.

The growth of Maple Leaf is driven by these principal sources: (i) organic growth in our enrolment; (ii) tuition fee increment; (iii) expansion of our established schools; (iv) opening of new schools; and (v) acquisition of schools in both China and overseas.

We continue to employ a capital efficient expansion strategy in our openings of new schools. All the 5 new Maple Leaf schools opened in the first half of the 2019/2020 school year were asset-light schools jointly developed with local partners.

FINANCIAL REVIEW

Revenue

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

Total revenue of the Group increased by RMB47.4 million, or 6.4%, from RMB744.4 million for the six months ended 28 February 2019 to RMB791.8 million for the six months ended 29 February 2020. The increase was primarily due to the increase in revenue from tuition fees by RMB80.5 million, and the decrease in revenue from others by RMB33.1 million.

Revenue from tuition fees increased by 12.8% from RMB631.1 million for the six months ended 28 February 2019 to RMB711.6 million for the six months ended 29 February 2020, largely due to the increase in student enrolment by 13.8%. Revenue from others decreased by 29.2% from RMB113.3 million for the six months ended 28 February 2019 to RMB80.2 million for the six months ended 29 February 2020, mainly due to the impact of COVID-19, considering the health and security of our students, the Group cancelled overseas winter camp that were originally scheduled to depart after Chinese lunar new year.

Cost of Revenue

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

Cost of revenue increased by RMB22.9 million, or 5.5%, from RMB417.6 million for the six months ended 28 February 2019 to RMB440.5 million for the six months ended 29 February 2020. The increase was largely due to an increase in teaching staff costs by RMB17.1 million, an increase in depreciation and amortisation by RMB20.7 million and a decrease in other costs by RMB14.8 million.

Teaching staff costs increased by 6.4% from RMB265.5 million for the six months ended 28 February 2019 to RMB282.6 million for the six months ended 29 February 2020, primarily due to an increase in the number of our teachers from 3,147 as at 28 February 2019 to 3,521 as at 29 February 2020. Depreciation and amortisation increased from RMB41.5 million for the six months ended 28 February 2019 to RMB62.2 million for the six months ended 29 February 2020, primarily due to additional depreciation charge for our schools in Luzhou, and Xiangyang started from September 2019. Other costs decreased from RMB94.9 million for the six months ended 28 February 2019 to RMB89.6 million for the six months ended 29 February 2020, primarily due to a decrease in the cost of sales of goods and educational materials to students.

Gross Profit

As a result of the foregoing, gross profit increased by 7.5% from RMB326.8 million for the six months ended 28 February 2019 to RMB351.3 million for the six months ended 29 February 2020. Our gross margin slightly increased from 43.9% for the six months ended 28 February 2019 to 44.4% for the six months ended 29 February 2020, primarily due to the increase in revenue was faster than the increase in cost of revenue.

Investment and Other Income

Investment and other income consist mainly of interest income from our bank deposits, rental income from investment properties and government grants. Investment and other income decreased by 16.8% from RMB34.7 million for the six months ended 28 February 2019 to RMB28.8 million for the six months ended 29 February 2020.

For the six months ended 29 February 2020, government grants decreased by RMB5.2 million primarily due to less educational subsidies received from educational bureau during this period.

Other Gains and Losses

Other gains and losses consist primarily of gain/(loss) from changes in fair value of financial assets measured at FVTPL, gains on the extinguishment of other payables, and foreign exchange gains and losses. Other gains and losses decreased from a gain of RMB57.0 million for the six months ended 28 February 2019 to a gain of RMB19.1 million for the six months ended 29 February 2020. The decrease was mainly attributable to the combined effects of (i) an increase in a net gain on foreign exchange of RMB13.2 million, (ii) a decrease in a gain arising from changes in fair value of financial assets measured at FVTPL by RMB12.1 million, and (iii) a decrease in a gain on the extinguishment of other payables by RMB31.0 million.

Marketing Expenses

Marketing expenses mainly consist of commercials and expenses for producing, printing and distributing advertising and promotional materials, and salaries and benefits for personnel engaged in selling and marketing activities. Marketing expenses increased by 11.1% from RMB14.0 million for the six months ended 28 February 2019 to RMB15.5 million for the six months ended 29 February 2020. Marketing expenses as a percentage of revenue slightly increased from 1.9% for the six months ended 28 February 2019 to 2.0% for the six months ended 29 February 2020.

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 remained stable at RMB102.8 million for the six months ended 28 February 2019 and RMB102.9 million for the six months ended 29 February 2020 as a result of effective cost control.

Finance Costs

For the six months ended 29 February 2020, finance costs mainly represented interest expense for secured bank borrowings. Finance costs increased from RMB5.6 million for the six months ended 28 February 2019 to RMB8.1 million for the six months ended 29 February 2020 primarily due to the recognition of lease liabilities as the result of the application of IFRS 16 for the first time in this interim period.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB272.7 million for the six months ended 29 February 2020, compared with RMB296.1 million for the six months ended 28 February 2019. Profit before taxation as a percentage of revenue was 34.4% for the six months ended 29 February 2020, compared with 39.8% for the six months ended 28 February 2019.

Taxation

Income tax expense of the Group decreased from RMB14.9 million for the six months ended 28 February 2019 to RMB8.7 million for the six months ended 29 February 2020, mainly due to the impact of COVID-19, as a result the income tax payable on revenue from other sources decreased. The effective tax rate of the Group for the six months ended 29 February 2020 and the six months ended 28 February 2019 was 3.2% and 5.0% respectively. The decrease in the Group's effective tax rate was primarily due to the decrease of the income tax payable in non-tuition income.

Profit for the Period

As a result of the above factors, profit for the period of the Group decreased by 6.1% from RMB281.2 million for the six months ended 28 February 2019 to RMB264.0 million for the six months ended 29 February 2020. The decrease in profit for the period is mainly due to the outbreak of COVID-19, the Group cancelled overseas winter camps that were originally scheduled to depart after Chinese new year, and the decrease in other gains and losses.

Adjusted Net Profit

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

	Six months ended	
	29 February 2020 *RMB'000* **(unaudited)**	28 February 2019 *RMB'000* (unaudited)
Profit for the period	**263,953**	281,214
Add:		
Share-based payments	**11,040**	23,143
Adjusted net profit	**274,993**	304,357

Adjusted net profit for the six months ended 29 February 2020 decreased by RMB29.4 million or 9.6%. Adjusted net profit margin was 34.7% for the six months ended 29 February 2020, and compared with 40.9% for the six months ended 28 February 2019.

Capital Expenditures

During the six months ended 29 February 2020, the Group spent RMB140.8 million mainly for the expansion of school campuses in Wuhan and acquisition of campus in Brockville, Canada.

Liquidity, Financial Resources and Capital Structure

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

	Six months ended	
	29 February 2020	28 February 2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(424,571)**	(289,027)
Net cash used in investing activities	**(72,913)**	(303,991)
Net cash used in financing activities	**(167,325)**	(130,922)
Net decrease in cash and cash equivalents	**(664,809)**	(723,940)
Cash and cash equivalents at the beginning of the period	**2,762,328**	2,220,694
Effect of foreign exchange rate changes	**(2,636)**	(10,043)
Cash and cash equivalents at end of the period	**2,094,883**	1,486,711

As at 29 February 2020, the Group's bank balances and cash amounted to RMB2,094.9 million, were mainly denominated in RMB and HK$. Bank balances and cash increased mainly because of less cash was used in investment activities.

As at 29 February 2020, the Group's bank borrowings were RMB324.6 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 29 February 2020, 38% will mature every month and subject to roll over and the remaining 62% 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.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures and liabilities are denominated in foreign currencies such as CAD, HK$, S$ and US$. As at 29 February 2020, certain bank balances and cash and liabilities were denominated in CAD, HK$, S$ and US$. The Group did not enter into any financial arrangement for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

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 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 29 February 2020, the Company had 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 29 February 2020, the Group pledged a total bank deposits of RMB132.0 million and certain investment properties with an aggregate carrying amount of RMB329.5 million to certain licensed banks for certain bank facilities in the amount of RMB324.6 million.

Material Acquisitions and Disposals of Subsidiaries

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries during the six months ended 29 February 2020.

Significant Investments Held

As at 29 February 2020, no significant investment was held by the Group.

Employee Benefits

As at 29 February 2020, the Group had 6,054 full-time employees (as at 28 February 2019: 5,663). The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a pre-IPO share option scheme, a post-IPO share option scheme and a share award scheme set up for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, the financial performance of the Group and the relevant market conditions. Total employee remuneration (including directors' remuneration) for the six months ended 29 February 2020 amounted to approximately RMB366.1 million.

OTHER INFORMATION

Use of proceeds from the placing and subscription

The net proceeds from the placing and subscription of 110,000,000 shares of the Company in January 2018, 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 date of this announcement, approximately HK$511.5 million has been used for overseas acquisitions and payment of the related expenses; and HK$41.8 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

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

Compliance with the Corporate Governance Code

During the six months ended 29 February 2020 and up to the date of the 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 most of the applicable code provisions, except for code provisions A.2.1 and E.1.2.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should not be performed by the same individual. Mr. Shu Liang Sherman Jen performs the dual roles of 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 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.

Code provision E.1.2 of the CG Code stipulates that the Chairman of the board of directors should attend the annual general meeting. Mr. Shu Liang Sherman Jen, Chairman of the Board of the Company, was unable to attend the annual general meeting of the Company held on 22 January 2020 due to a business trip. Mr. Howard Robert Balloch, a Non-executive Director, a member of the Remuneration Committee and the Vice Chairman of the Board, acted as the Chairman of the annual general meeting of the Company held on 22 January 2020.

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

Compliance with the Model Code for Securities Transactions by Directors

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 29 February 2020.

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

During the six months ended 29 February 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Interim Dividend

The Board of the Company has resolved not to declare interim dividend for the six months ended 29 February 2020.

Audit Committee

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

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 29 February 2020 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu, who has reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. The Audit Committee has also discussed matters with respect to the accounting policies and practices 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 Reporting Period

(a) *Acquisition of a subsidiary*

On 29 January 2020, the Company announced the offer to acquire all the ordinary shares of Kingsley Edugroup Limited ("**Kingsley**"), the ordinary shares of which are listed on GEM of the Stock Exchange, at a price of HK$0.54 per share and the total consideration is approximately HK$432,000,000 (equivalent to approximately RMB391,344,480). On 18 March 2020, the Company received valid acceptances in respect of an aggregate of 779,280,000 shares, representing approximately 97.41% of the entire issued share capital of Kingsley. A total of 20,720,000 shares, representing approximately 2.59% of the entire issued share capital of Kingsley are held by the public, As Kingsley does not fulfil the public float requirement as set out under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"), the shares of Kingsley was suspended from trading from 19 March 2020 due to insufficient public float pursuant to Rule 11.23(7) of GEM Listing Rules. Please refer to the announcements and circular of the Company dated 29 January 2020, 19 February 2020, 25 February 2020, 26 February 2020, 28 February 2020 and 18 March 2020 for further details.

(b) Impact of the outbreak of novel coronavirus (COVID-19)

The outbreak of novel coronavirus (COVID-19) in January 2020 has evolved into a worldwide pandemic, and posed a significant threat to the global economy in 2020. A prolonged coronavirus crisis has an impact on students to return to school. During this interim period, the impact of COVID-19 is limited as the outbreak only lasted till the end of the interim period. The directors of the Company consider that the duration and scope of the crisis cannot be accurately assessed at this point of time, the full financial impact could not be reasonably quantified at this stage.

Publication of the Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.mapleleaf.cn. The interim report of the Group for the six months ended 29 February 2020 will be dispatched to the Shareholders of the Company and be made 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 April 2020

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*