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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 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 audited consolidated annual results of the Group for the year ended 31 August 2020.

KEY FINANCIAL HIGHLIGHTS

	Year ended 31 August			
	2020	2019	**Change**	**Percentage**
	RMB'000	*RMB'000*	*RMB'000*	**Change**
Revenue	**1,528,608**	1,570,231	-41,623	**-2.7%**
Tuition and boarding fee	**1,376,757**	1,318,517	+58,240	**+4.4%**
Others *(Note)*	**151,851**	251,714	-99,863	**-39.7%**
Gross profit	**713,225**	734,834	-21,609	**-2.9%**
Profit for the year	**509,079**	654,169	-145,090	**-22.2%**

Note:
Revenue from preschools and other sources decreased due to the COVID-19 pandemic.

KEY BUSINESS HIGHLIGHTS

	As at the end of school year	
	2019/2020	2018/2019
Total number of students enrolled	**45,604**	41,241
Total capacity	**71,320**	60,400
Admission rate of MLES Global Top 100 universities	**78.5%**	73.3%

Performance Review

The 2019/20 school year was the last 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 school year, our total student enrollment was 45,604. We have achieved the targeted student enrollment pursuant to the Fifth Five-Year Plan. Moreover, the Group has established three educational districts, namely Hainan, Hubei and Tianjin districts. The three districts are advanced setup for our Sixth Five-Year Plan (from 2020/2021 to 2024/2025 school years) ("**Sixth Five-Year Plan**") of ten educational districts. During this school year, we have actively continued our overseas mergers & acquisitions projects, further promoted the expansion of the Group's global school network and completed the acquisitions of two premium international schools, the Canadian International School in Singapore and the Kingsley International School in Malaysia. The global school network has increased from 95 schools as at 31 August 2019 to 109 schools as at 31 August 2020, of which 96 are located in 22 cities in mainland China and 13 are located in Canada, Singapore, Malaysia and Australia.

Although affected by the pandemic globally, the offer letters received by 2,265 high school graduates in the 2019/20 school year were not affected. Among them, 216 students received offer letters from QS top 10 universities in the world (including Imperial College London and University College London). In addition, 1,781 graduates, approximately 79% of the graduate class, received at least one offer letter from the Maple Leaf Education Global Top 100 universities.

In the beginning of the 2020/2021 school year, the Maple Leaf World School Program ("**World School Program**") was officially launched in China and we have completed the first year of high school enrollment. World School Program has been developed for five years by Eastern and Western Education Specialists and meeting high academic and curriculum standards. It is the first international program with oriental cultural characteristics in the world. Moreover, World School Program cooperates with two of the world's largest educational institutions, where the benchmarking and recognition by UK NARIC benchmarking accreditation and the certification by Cognia (formerly known as AdvancED). As of November 2020, we have received official support letters from at least 105 universities in 12 countries. We are confident that World School Program will become a world-class program equivalent to A-Level and IB program in the future.

The impact of COVID-19

In early 2020, the global outbreak of COVID-19 impacted the education business of the Group, mainly due to global travel restrictions and various precautionary measures undertaken by respective local authorities which include, inter alia, campus closures and delays in school commencement during the outbreak. 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 pandemic situation gradually improved, all of the Group's schools resumed face-to-face teaching at the commencement of the 2020/2021 school year. Before the opening of the schools, Maple Leaf has thoroughly cleaned and disinfected all campuses and ensured that various pandemic prevention supplies are sufficient to improve campus safety.

Although the Group has taken active measures to minimize the impact of the pandemic, our operations have been affected considerably. During the pandemic, our Group refunded approximately RMB38 million tuition and boarding fees in accordance with the requirements of relevant local government authorities. At the same time, the Group's preschool business barely operated in the second half of the school year, which reduced revenue by nearly RMB30 million. The Group's non-tuition fee income took the biggest hit. In order to ensure the safety of students, we cancelled the winter and summer camps for the whole year, which reduced revenue by more than RMB50 million. Moreover, due to the closure of the campuses during the pandemic, which reduced the service income from other sources by RMB15 million. Regardless of the impact of the pandemic, the Group's business has achieved a steady growth in this school year as compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Market Position

With over 25 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 Eastern educational philosophies. Furthermore, the Maple Leaf Educational System has attained Cognia 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. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes to students. Our preschools provide a game-based, bilingual curriculum designed and developed by Maple Leaf Educational Systems.

The Group targets mainly Chinese students from increasingly affluent middle-income families in China who aim to pursue higher education abroad and for whom our tuition fees are affordable and competitive. The Group mainly operates its schools in China 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 31 August 2020, over 18,600 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.

The Group launched the World School Program, China's first internationally accredited curriculum with self-developed intellectual property, at the commencement of the 2020/2021 school year. 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. The World School Program was developed by Maple Leaf curriculum experts and meets high academic and curriculum standard, which will prepare students well for entering into the world's top ranked universities. The World School Program has obtained the benchmarking agreement with UK NARIC and accreditation of Cognia – two of the world's most recognised certification institutions – providing further assurance that Maple Leaf graduates will be able to transit to universities across the globe seamlessly.

BUSINESS REVIEW

Student Enrolment

	At the end of school year			
	2019/2020	**% of Total**	2018/2019	% of Total
High school	**8,280**	**18.2**	8,155	19.8
Middle school	**10,121**	**22.2**	8,841	21.4
Elementary school	**22,074**	**48.4**	18,771	45.5
Preschool	**4,854**	**10.6**	5,096	12.4
Foreign national school	**275**	**0.6**	378	0.9
Total number of students enrolled	**45,604**	**100**	41,241	100

The total number of students enrolled at the end of the 2019/2020 school year increased by 4,363 or 10.6%, which mainly came from the newly acquired Kingsley International School in Malaysia in March 2020 and Canadian International School ("**CIS**") in Singapore in August 2020. The total enrollment in overseas campuses was 4,255 as at the end of 2019/2020 school year compared to 137 as at the end of 2018/2019 school year.

At the end of the 2019/2020 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 4 middle schools and 5 elementary schools in the 2019/2020 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	
	2020	2019
Tuition fees *(RMB'000)*	**1,376,757**	1,318,517
Average student enrolment*	**43,422**	37,359
Average tuition fee per student# *(RMB'000)*	**31.7**	35.3

* 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 decreased by approximately 10.2% due to the combined effect of (i) the tuition and boarding fee refund due to the pandemic; (ii) the closure of preschools due to the pandemic; (iii) 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 and (iv) the tuition income from the newly acquired CIS having not been consolidated into the revenue of the Group.

The Group's Schools

14 new schools were added to the Group's school network for the year ended 31 August 2020, including a preschool, an elementary school, a middle school, a high school in Kuala Lumpur, Malaysia; an elementary school and a middle school in Ji'nan, Shandong Province; an elementary school and a middle school in Xiangyang, Hubei Province; a preschool, two elementary schools, a middle school and a high school in Singapore and a high school in Thunder Bay, Ontario, Canada.

As at 31 August 2020, the Group had 109 schools located in 28 cities in China, Canada, Malaysia, Singapore 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, Ji'nan, Kamloops, Richmond, Thunder Bay, Kuala Lumpur, Singapore 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	
	2020	2019
High schools	**18**	15
Middle schools	**28**	24
Elementary schools	**30**	25
Preschools	**30**	28
Foreign national schools	**3**	3
Total	**109**	95

Utilisation of the Group's Schools

Utilisation 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.

	As at the end of school year	
	2019/2020	2018/2019
Total number of students enrolled	**45,604**	41,241
Total capacity	**71,320**	60,400
Overall utilisation	**63.9%**	68.3%

Total capacity for students increased due to the addition of 14 new schools during the school year. The 4.4% decrease in the overall utilisation rate was due to the utilization rate of newly opened schools in Ji'nan, Xiangyang and newly acquired schools in Kuala Lumpur being lower than the average utilization rate of the existing schools.

The Group's Teachers

Teachers are the key to maintaining high-quality educational programs and services as well as maintaining our brand and reputation. Our certified teachers form a core group within our teaching staff, allowing us to maintain the quality of our educational services while undergoing expansion.

	As at the end of school year	
	2019/2020	2018/2019
Total number of certified teachers	**3,976**	3,433

The total number of certified teachers increased primarily because more certified teachers were recruited for the addition of 14 schools during the 2019/2020 school year. Our student-teacher ratio slightly decreased from 12:1 at the end of the 2018/19 school year to 11.5:1 at the end of the 2019/2020 school year due to the lower than average student-teacher ratio, 10.3:1, in CIS.

RECENT BUSINESS UPDATE

Growth in Student Enrolment as at 15 October 2020

	As at 15 October		Change	Percentage Change
	2020	2019		
Total number of students enrolled	**44,338**	41,508	+2,830	+6.8%

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 in China. 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 and are used for comparison purposes only.

According to the Group's experience, the Group expects student enrolment to further increase in the second half of the 2020/2021 school year because some new students will be admitted in the second term.

New Schools Opened in September 2020

As of 30 September 2020, the Group opened the following 6 new schools in China of which 4 schools used an asset light model and after which the total number of schools increased to 114.

City	Number of schools	Category of schools	Estimated Student Capacity
Horinger New Area, Hohhot, Inner Mongolia Province	2	Middle school and elementary school	1,080
Ji'nan, Shandong Province	1	High school	–
Dalian, Liaoning Province	2	Elementary school and preschool	–
Xiangyang, Hubei Province	1	Preschool	–

Acquisition of Kingsley, Malaysia

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 RMB391,344,000). 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 were suspended from trading from 19 March 2020 due to insufficient public float pursuant to Rule 11.23(7) of GEM Listing Rules. The Company exercised the compulsory acquisition rights to which it is entitled under Rule 2.11 of the Takeovers Code and the Companies Law to privatize Kingsley. On 22 July 2020, the Company completed the compulsory acquisition of the remaining shares, and Kingsley becomes a wholly-owned subsidiary of the Company. The listing of the Kingsley shares on the GEM of Stock Exchange was withdrawn with effect from 9:00 a.m. on 24 July 2020. 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, 18 March 2020, 27 May 2020, 22 June 2020, 17 July 2020 and 23 July 2020 for further details.

The acquisition of Kingsley would strengthen the brand name of Maple Leaf by increasing the market share of the Group. After the completion of the acquisition, the Group extended the geographical coverage of its education services to Malaysia. The acquisition of Kingsley also allowed the sharing of resources among the schools under both the Group and Kingsley. The acquisition is also an important milestone for the Company's Sixth Five Year Plan to further expand its educational network globally.

Acquisition of CIS, Singapore

On 22 June 2020, the Company announced that a Sale and Purchase Agreement was entered into with Rainbow Readers Pte. Ltd. to acquire 100% of the issued share capital of Star Readers Pte. Ltd. (the "**Target Company**"). The Target Company is the sole shareholder of Canadian International School Ptd. Ltd., the operator of CIS in Singapore.

CIS is a leading private education institution and one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment. Operating under the Canadian International School brand, CIS delivers the International Baccalaureate ("**IB**") curriculum to Nursery/Pre-Kindergarten up to grade 12 students, with approximately 3,500 students across two campuses, the Tanjong Katong campus located in eastern region of the Central Region of Singapore and the Lakeside campus located in the West Region Singapore, which is undergoing expansion.

The acquisition of CIS allows the Company to tap the excellent academic track record, strong IB program and differentiated interdisciplinary programmes of CIS, including specifically the English/Chinese bilingual programme which the Company aims at further enhancing and promoting, leveraging its resources and expertise of operating international schools in the PRC.

Given the growing economic influence of the PRC in the ASEAN region, it is expected that Singapore will continue to witness further investments from Chinese companies and increasing immigration of PRC nationals. With a presence in 23 cities in the PRC, the Company is ideally positioned to promote the global network of schools it operates in various regions including CIS in Singapore and would be able to leverage its existing marketing channels to source prospective students as well as to recruit native Chinese academic staff. The Company may also benefit from CIS's 30-year track record in Singapore in establishing and promoting a new campus at Hillside Drive in Singapore, which the Company acquired in 2016. The Hillside Drive school has a capacity of 800 students and is currently leased to Hillside World Academy until 30 June 2022.

The First Closing took place on 26 August 2020. Upon First Closing, the Company has successfully acquired 90% of the issued share capital of the Target Company, and the financial statements of the Target Group will be entirely consolidated into the financial statements of the Group. The First Tranche Consideration of approximately SGD634.0 million, including an amount of approximately SGD220.3 million for the full settlement of the Bank Debt, will be adjusted by the Closing Adjustment to be derived pursuant to the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Second Closing for the acquisition of the remaining 10% of the issued share capital of the Target Company shall take place after the end of the Academic Year 2022.

In combination with the acquisition of Kingsley, CIS will provide the Company with a solid and stable platform for further expansion and growth in the ASEAN region through potential bolt-on acquisitions as well as organic growth.

FUTURE DEVELOPMENT

Our goal is to maintain and further strengthen our position as the leading international school operator in China and expand our school network to major cities in the PRC and outside of the PRC. The Group implemented the Sixth Five-Year Plan to map its future development.

Educational School District Development Strategy

Under the School District Development Strategy, over the next five years the Group intends to establish (i) up to10 school districts in the PRC with a target enrollment of 100,000 students; and (ii) two offshore school districts with a target enrollment of at least 10,000 students. The Group aims to build Maple Leaf World Schools in approximately 50 cities worldwide, with around 150 campuses within and outside of the PRC, and a total target enrollment of around 110,000 students. Implementation of this strategy is expected to enable the Group to become one of the largest international school operators in the global K-12 education sector.

Standard Implementation Strategy

Under the Standard Implementation Strategy, over the next five years the Group intends to fully implement the World School Program and complete its benchmarking against the A-Level and Canadian British Columbia ("**BC**") Programs. Pursuant to the World School Program, the Company's high school program in China will be shifting from the BC curriculum to the 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, which is the largest school accrediting agency in the world.

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 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 Southeast Asia and North America. Accordingly, 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 Eastern cultures. The Group will further expand its school network under the brand of CIS in the Southeast Asian countries.

University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. As of August 2020, 2,265 Maple Leaf high school students of the class of 2020 have received over 8,400 offers from universities in 17 countries. The total offers received exceeded last year's record for the same period. The rate of our university placements continues to rise. As of August 2020, 216 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 for the same period significantly.

Maple Leaf maintains long-term relationships with a significant number of universities and colleges around the world. Various universities and colleges have a memorandum of understanding with us to facilitate the admissions process for our high school graduates. Our Group holds annual university and college recruitment fairs on our campuses and provides consulting services to assist our students in making informed decisions about the universities and colleges they choose to attend. In addition, we assist our students with respect to admissions, visas and scholarships, preparing them to study abroad. We believe that our services ensure a smooth transition for our students from our high schools to post-secondary educational institutions.

Conclusion

Pursuant to the Six Five-Year Plan, the Group will continue to adopt multiple expansion strategies including, but not limited to, increasing our enrollment, increasing tuition fee rate, building more asset-light schools, acquiring schools with synergy to the Group, and expanding our established schools to achieve the growth targets in both the PRC and overseas, and strive to become one of the largest K-12 international school operator in the world.

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 private education in China, with an aim to promote the distinctive and quality development of 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 non-profit schools, particularly safeguarding the property interest of non-profit schools and preventing the improper transfer of operating revenue of 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 Draft for Review.

While strengthening the regulation of private schools, the Draft for Review specifies that private schools shall be entitled to tuition fee autonomy and tax preference policies enjoyed by public schools, which will be beneficial to the operation of schools operated by entities under the listed education groups. The new law allows 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 encourage 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.

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 and other educational services and revenue from the self-operated supermarkets in the Group's school campuses.

The total revenue of the Group decreased by RMB41.6 million, or 2.7%, from RMB1,570.2 million for the financial year ended 31 August 2019 to RMB1,528.6 million for the financial year ended 31 August 2020. The decrease was primarily due to the decrease in revenue from summer and winter camps by RMB50.7 million and the decrease in revenue from other sources by RMB43.4 million as a result of the COVID-19 pandemic.

Revenue from tuition fees increased by 4.4% from RMB1,318.5 million for the financial year ended 31 August 2019 to RMB1,376.8 million for the financial year ended 31 August 2020, mainly due to the combined effect of (i) an increase in overall student enrolment; (ii) a decrease in revenue from preschools due to the closure of schools as a result of the COVID-19 pandemic and (iii) a refund in tuition and boarding fees as a result of the COVID-19 pandemic. Revenue from others decreased by 39.7% from RMB251.7 million for the financial year ended 31 August 2019 to RMB151.9 million for the financial year ended 31 August 2020, mainly due to a decrease in summer and winter camps and other sources as a result of the COVID-19 pandemic.

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 decreased by RMB20.0 million, or 2.4%, from RMB835.4 million for the financial year ended 31 August 2019 to RMB815.4 million for the financial year ended 31 August 2020. The decrease was largely due to a decrease in other training costs by RMB32.9 million, an increase in depreciation and amortization by RMB18.0 million, and a decrease in other costs by RMB6.3 million.

Teaching staff costs increased by 0.2% from RMB526.1 million for the financial year ended 31 August 2019 to RMB527.3 million for the financial year ended 31 August 2020, primarily due to an increase in the number of teachers from 3,433 as at the end of the 2018/2019 school year to 3,976 as at the end of the 2019/2020 school year. Depreciation and amortization increased from RMB90.7 million for the financial year ended 31 August 2019 to RMB108.7 million for the financial year ended 31 August 2020, primarily due to additional depreciation charge for our schools in Kingsley and Hainan during the year. Other training costs decreased from RMB44.2 million for the financial year ended 31 August 2019 to RMB11.3 million for the financial year ended 31 August 2020, primarily due to a decrease in the training activities due to the pandemics.

Gross Profit

As a result of the foregoing, gross profit decreased by 2.9% from RMB734.8 million for the financial year ended 31 August 2019 to RMB713.2 million for the financial year ended 31 August 2020. Our gross margin decreased from 46.8% for the financial year ended 31 August 2019 to 46.7% for the financial year ended 31 August 2020, primarily due to closing of preschools and reduced income from summer and winter camps as a result of the COVID-19 pandemic.

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 2.9% from RMB61.6 million for the financial year ended 31 August 2019 to RMB59.8 million for the financial year ended 31 August 2020. Bank interest income decreased by 26.0% from RMB36.2 million for the financial year ended 31 August 2019 to RMB26.8 million for the financial year ended 31 August 2020. For the financial year ended 31 August 2020, government grants increased by RMB5.0 million primarily due to more grants received from government during this year.

Other Gains and Losses

Other gains and losses consist primarily of interest income on wealth product, gains on the extinguishment of other payables and foreign exchange gains and losses. Other gains and losses decreased from a gain of RMB128.8 million for the financial year ended 31 August 2019 to a gain of RMB25.5 million for the financial year ended 31 August 2020. The decrease was mainly attributable to the combined effects of (i) a decrease in net gain on foreign exchange of RMB16.0 million, (ii) a decrease in gain on disposal of short-term investments by RMB20.8 million, (iii) the impairment loss on construction in progress of RMB7.3 million and (iv) a decrease in gain on the extinguishment of other payables by RMB60.8 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 5.3% from RMB34.0 million for the financial year ended 31 August 2019 to RMB32.2 million for the financial year ended 31 August 2020. Marketing expenses as a percentage of revenue decreased from 2.2% for the year ended 31 August 2019 to 2.1% for the year ended 31 August 2020, primarily due to a decrease in advertising and promotional expenses and student placement related expenses.

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 13.0% from RMB199.3 million for the financial year ended 31 August 2019 to RMB225.2 million for the financial year ended 31 August 2020, as the Group has increased staff salaries from September 2019. Administrative expenses as a percentage of total revenue increased from 12.7% for the financial year ended 31 August 2019 to 14.7% for the year ended 31 August 2020 as a result of the acquisition of Kingsley international school and CIS.

Finance Costs

For the financial year ended 31 August 2020, finance costs mainly represented interest expenses for secured bank borrowings. Finance costs increased from RMB11.0 million for the financial year ended 31 August 2019 to RMB18.3 million for the financial year ended 31 August 2020 primarily due to the recognition of lease liabilities as the result of the application of IFRS 16 for the first time in this reporting period.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB522.9 million for the financial year ended 31 August 2020, compared to RMB680.9 million for the financial year ended 31 August 2019. Profit before taxation as a percentage of revenue of the Group was 34.2% for the financial year ended 31 August 2020, compared to 43.4% for the financial year ended 31 August 2019.

Taxation

Income tax expense of the Group decreased from RMB26.7 million for the financial year ended 31 August 2019 to RMB13.8 million for the financial year ended 31 August 2020, mainly due to a decrease in taxable income from canteen and summer and winter camps business as a result of the COVID-19 pandemic. The effective tax rates of the Group for the financial years ended 31 August 2020 and 2019 were 2.6% and 3.9% respectively. The decrease in the Group's effective tax rate was primarily due to the decrease of non-tuition income which is subject to a maximum EIT rate of 25%.

Profit for the Year

As a result of the above factors, profit for the year of the Group decreased by 22.2% from RMB654.2 million for the financial year ended 31 August 2019 to RMB509.1 million for the financial year ended 31 August 2020. The decrease in profit for the year ended 31 August 2020 is mainly due to the reduced profit from preschools and summer and winter camps as a result of the COVID-19 pandemic.

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	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**509,079**	654,169
Add:		
Dividend income from financial assets at fair value through profit or loss	**(511)**	(497)
Share-based payments	**16,177**	36,591
Adjusted net profit	**524,745**	690,263

Adjusted net profit for the year ended 31 August 2020 decreased by RMB165.5 million or 24.0%. Adjusted net profit margin was 34.3% for the year ended 31 August 2020, compared to 44.0% for the year ended 31 August 2019.

Capital Expenditures

For the year ended 31 August 2020, the Group paid RMB229.8 million for property and equipment primarily related to the buildings for certain schools in Wuhan, Hubei Province and Tianjin. For the year ended 31 August 2019, the Group paid RMB135.3 million for property and equipment primarily related to the buildings of schools in Yiwu, Zhejiang Province, Tianjin Teda and Maple Leaf Red Clothing Company.

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	
	2020	2019
	RMB'000	*RMB'000*
Net cash from operating activities	**625,818**	857,009
Net cash used in investing activities	**(3,683,869)**	(38,356)
Net cash from (used in) financing activities	**1,616,747**	(304,066)
Net (decrease) increase in cash and cash equivalents	**(1,441,304)**	514,587
Cash and cash equivalents as at 1 September	**2,762,328**	2,220,694
Effect of foreign exchange rate changes	**(10,117)**	27,047
Cash and cash equivalents as at 31 August represented by bank balances and cash	**1,310,907**	2,762,328

As at 31 August 2020, the Group's bank balances and cash amounted to RMB1,310.9 million, which were mainly denominated in USD and SGD. Bank balances and cash decreased mainly because certain of the funds used for acquisition of CIS are short-term financing.

As at 31 August 2020, the Group's bank borrowings were RMB3,630.6 million which were mainly denominated in SGD, with variable interest rates with reference to Singapore Interbank Offered Rate. Of the Group's bank borrowings as at 31 August 2020, 63% will mature within one year and the remaining 37% will mature after one 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 increased from 7.8% for the year ended 31 August 2019 to 78.5% for the year ended 31 August 2020 primarily due to debt financing was used for acquisition of CIS during this year.

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 HKD, USD, CAD, MYR and SGD. As at 31 August 2020, certain bank balances and cash and liabilities were denominated in HKD, 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 has 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 at 31 August 2020, 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 in the Zhixin Case has not considered the effect of share subdivision that became effective on 9 July 2018.

Pledge of Assets

As at 31 August 2020, the Group pledged a total bank deposits of RMB1,544.7 million and certain investment properties with an aggregate carrying amount of RMB339.6 million to certain licenced banks for certain banking facilities.

Material Acquisition and Disposal of Subsidiaries

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries during the year ended 31 August 2020.

Significant Investment Held

As at 31 August 2020, no significant investment was held by the Group.

Employee Benefits

As at 31 August 2020, the Group had 6,781 (2019: 6,170) 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 2020 amounted to RMB629.5 million (2019: RMB625.8 million).

Pension Plan

To ensure the smooth implementation of the Sixth Five-Year Plan, the Group has devised incentive plans aimed at encouraging employees to provide their services to the Group on a long-term basis, and to share the fruits of the group's development.

The pension plan is specifically designed for foreign teachers who work in the Group's schools operated in China. Under this proposed pension plan, every month a sum amounting to 3% of the eligible employee's monthly salary will be paid by each foreign employee and by the Group respectively, as contribution to the employee's pension. The Group has entrusted a professional trustee to manage the funds under the pension plan. The leaving employees will receive part or all of the funds paid by the Group according to the number of years of service in the Group.

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 in January 2018 (the "**Placing**"), after deducting placing commission and related expenses, amounted to approximately HK$989.5 million. The following table illustrates the intended uses of the net proceeds from the Placing and the planned amounts for each use:

	Overseas acquisition and related expenses	**General corporate purposes**
	HK$'million	*HK$'million*
Unutilized balance as at 31 August 2019	940.0	11.1
Utilization intended during the year ending 31 August 2020		
Acquisition of Brockville campus, Ontario, Canada	77.0	
Takeover of Kingsley Edugroup Limited	434.6	
Acquisition of Star Readers Pte. Ltd.	428.4	11.1
Total Utilization	940.0	11.1

As at 31 August 2018, 31 August 2019 and 31 August 2020, the Group had utilized the net proceeds from the New Share Issuance as set out in the table below, which is consistent with the intentions previously disclosed by the Company:

Use of proceeds	**Percentage**	**Net proceeds from the Placing**	**Utilization during the year ended 31 August 2018**	**Unutilized balance as at 31 August 2018**	**Utilization during the year ended 31 August 2019**	**Unutilized balance as at 31 August 2019**	**Utilization during the year ended 31 August 2020**	**Unutilized balance as at 31 August 2020**
		HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Overseas acquisition and related expenses	95%	940.0	0	940.0	0	940.0	940.0	–
General corporate purposes	5%	49.5	0	49.5	38.4	11.1	11.1	–
Total	100%	989.5	0	989.5	38.4	951.1	951.1	–

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2020

	NOTES	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*3*	**1,528,608**	1,570,231
Cost of revenue		**(815,383)**	(835,397)
Gross profit		**713,225**	734,834
Investment and other income	*4*	**59,774**	61,573
Other gains and losses	*5*	**25,514**	128,752
Marketing expenses		**(32,153)**	(33,990)
Administrative expenses		**(225,193)**	(199,303)
Finance costs		**(18,310)**	(10,967)
Profit before taxation		**522,857**	680,899
Taxation	*6*	**(13,778)**	(26,730)
Profit for the year	*7*	**509,079**	654,169
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on the translation of foreign operations		**2,126**	7,823
Total comprehensive income for the year		**511,205**	661,992
Profit (loss) for the year attributable to:			
Owners of the Company		**505,278**	656,756
Non-controlling interests		**3,801**	(2,587)
		509,079	654,169
Total comprehensive income (expense) attributable to:			
Owners of the Company		**507,404**	664,579
Non-controlling interests		**3,801**	(2,587)
		511,205	661,992
EARNINGS PER SHARE			
Basic *(RMB cents)*	*9*	**17.01**	22.20
Diluted *(RMB cents)*	*9*	**17.01**	22.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2020

	NOTES	**31/8/2020** *RMB'000*	31/8/2019 *RMB'000*
Non-current Assets			
Property, plant and equipment		**3,842,542**	2,419,241
Right-of-use assets	*10*	**503,975**	–
Prepaid lease payments		**–**	263,412
Investment properties	*11*	**348,741**	348,065
Goodwill	*12*	**2,449,342**	252,848
Other intangible assets	*13*	**1,004,663**	44,012
Deposit paid for acquisition of property and equipment		**8,996**	13,640
Books for lease		**1,350**	2,055
Pledged bank deposits	*14*	**132,000**	132,000
		8,291,609	3,475,273
Current Assets			
Inventories		**18,487**	15,337
Deposits, prepayments, trade and other receivables	*15*	**174,088**	144,283
Financial assets at fair value through profit or loss		**12,905**	76,066
Pledged bank deposits	*14*	**1,412,668**	–
Restricted cash		**48,566**	50,447
Bank balances and cash	*16*	**1,310,907**	2,762,328
		2,977,621	3,048,461
Current Liabilities			
Lease liabilities		**30,641**	–
Contract liabilities	*17*	**1,506,002**	1,375,604
Other payables and accrued expenses	*18*	**628,088**	436,815
Income tax payable		**116,300**	83,085
Borrowings	*19*	**2,303,062**	123,475
		4,584,093	2,018,979
Net Current (Liabilities) Assets		**(1,606,472)**	1,029,482
Total Assets Less Current Liabilities		**6,685,137**	4,504,755

	NOTES	31/8/2020 RMB'000	31/8/2019 RMB'000
Capital and Reserves			
Share capital		**9,309**	9,309
Reserves		**4,517,653**	4,143,594
Equity attributable to owners of the Company		**4,526,962**	4,152,903
Non-controlling interests		**96,673**	92,872
Total Equity		**4,623,635**	4,245,775
Non-Current Liabilities			
Deferred tax liabilities		**333,592**	51,466
Borrowings	*19*	**1,327,504**	207,514
Lease liabilities		**170,335**	–
Consideration payable		**203,225**	–
Contingent consideration		**26,846**	–
		2,061,502	258,980
		6,685,137	4,504,755

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 and in the Southeast Asia under the brand "Canadian International School" and "Kingsley International School", focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education mainly within the PRC and Southeast Asia.

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 16	Leases
IFRIC-Int 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

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 in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS standards that have been issued but are not yet effective.

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IAS 1 and IAS 8	Definition of Material[6]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[6]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform– Phase 2[4]
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	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021
[5] 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
[6] Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to IFRS Standards, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be 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 and IASs 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:
Disaggregation of revenue from contracts with customers

	2020	2019
	RMB'000	*RMB'000*
Types of goods or services		
Tuition and boarding fees	**1,376,757**	1,318,517
Summer and winter camps	**3,370**	54,096
Sales of textbooks	**49,231**	46,044
Others	**99,250**	151,574
	1,528,608	1,570,231
Timing of revenue recognition		
Over time	**1,426,263**	1,458,545
A point in time	**102,345**	111,686
	1,528,608	1,570,231

Major customers

No single customer contributes 10% or more of total revenue of the Group for the years ended 31 August 2020 and 2019.

Geographical information

The Group primarily operates in the PRC and Southeast Asia. Revenue of the Group is mainly generated from services and goods provided to the external customers in the PRC. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	31/8/2020	31/8/2019
	RMB'000	*RMB'000*
PRC	**5,712,562**	3,127,865
Singapore	**2,016,355**	339,037
Malaysia	**489,139**	–
Others	**73,553**	8,371
	8,291,609	3,475,273

4. INVESTMENT AND OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**26,806**	36,233
Interest income from short-term loan to a third party	**1,414**	110
Rental income from investment properties	**16,669**	15,746
Government grant	**13,371**	8,445
Dividend income from financial assets at FVTPL	**511**	497
Others	**1,003**	542
	59,774	61,573

5. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	*RMB'000*
Gain arising from changes in fair value of financial assets measured at FVTPL	**19,560**	39,533
Reversal of other payables	**11,423**	72,190
Net foreign exchange gain	**1,243**	17,180
Impairment loss		
– property, plant and equipment	**(7,339)**	–
Loss on disposal of property, plant and equipment	**(148)**	(1,080)
Others	**775**	929
	25,514	128,752

6. TAXATION

	2020	2019
	RMB'000	*RMB'000*
The charge comprises		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**18,369**	29,839
Deferred tax	**(4,591)**	(3,109)
	13,778	26,730

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

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**522,857**	680,899
Tax at PRC EIT rate of 25%	**130,714**	170,225
Tax effect of preferential tax rate granted	**(9,852)**	(10,059)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**11,155**	2,923
Tax effect of tax loss not recognised	**9,016**	4,979
Utilisation of tax loss previously not recognised	**(685)**	(651)
Tax effect of income not taxable for tax purposes	**(316,355)**	(303,792)
Tax effect of expenses not deductible for tax purposes	**189,785**	163,105
Tax charge for the year	**13,778**	26,730

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 or the BVI under the tax laws of the Cayman Islands or 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 years ended 31 August 2020 and 2019. 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%.

The Inland Revenue Board, an agency of the Ministry of Finance in Malaysia, is responsible for the administration of direct taxes enacted under the Income Tax Act. The standard corporate tax rate in Malaysia is 24%.

The standard corporate tax rate in Singapore is 17% and Singapore follows a single-tier corporate tax system.

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 is renewed on 2 December 2019.

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, subject to review by relevant tax bureaus each year. 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, Pingdingshan Maple Leaf International School affiliated preschool, Yiwu Maple Leaf International School affiliated School, Jingzhou Maple Leaf International School, Hainan Maple Leaf International School, Weifang 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, Maple Leaf International Schools – Haikou Jiangdong, Maple Leaf International Schools – Haikou Meiwen, Maple Leaf International Schools – Haikou Xiuying, Maple Leaf Jiade International School-Luzhou, Maple Leaf International School – Lingeer, Maple Leaf World School-Ji'nan and Maple Leaf International Preschool – Xian have been granted enterprise income tax exemption for the tuition income from relevant local tax bureaus.

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

During the year ended 31 August 2020, non-taxable tuition income was RMB1,265,421,000 (2019: RMB1,215,167,000), and the related expense of RMB652,028,000 (2019: RMB627,643,000) was not deductible.

As at 31 August 2020, the Group had unused tax loss of RMB67,591,000 (2019: RMB52,107,000) 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 at 31 August 2020, tax losses of RMB67,591,000 (2019: RMB52,107,000) will expire in various years before 2025 (2019: 2024).

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 RMB3,307,039,000 at 31 August 2020 (2019: RMB2,698,392,000) 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

	2020 *RMB'000*	2019 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	**600,123**	570,584
– retirement benefit scheme contributions	**23,404**	30,886
– share-based payments	**16,177**	36,591
Total staff costs	**639,704**	638,061
Gross rental income from investment properties	**(16,669)**	(15,746)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	**1,703**	1,695
Net rental income	**(14,966)**	(14,051)
Depreciation of property, plant and equipment	**92,816**	81,871
Depreciation of right-of-use assets *(Note)*	**33,339**	–
Amortisation of intangible assets	**15,518**	7,235
Depreciation of investment properties	**4,093**	3,888
Auditors' remuneration	**3,050**	2,969
Amortisation of books for lease	**1,433**	2,072
Amortisation of prepaid lease payments	**–**	6,420

Note: During the year ended 31 August 2019, operating lease expenses amounted to RMB19,458,000 was recognized in cost of revenue.

8. DIVIDENDS

During the year ended 31 August 2020, 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 the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

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.

No dividend in respect of the year ended 31 August 2020 has been proposed by the Directors of the Company.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 August 2020 and 2019 was based on the following data:

	2020	2019
	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)	**505,278**	656,756

	2020	2019
	Number of shares	Number of shares
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,970,545**	2,958,034
Effect of dilutive potential ordinary shares	**5**	2,078
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,970,550**	2,960,112

The number of shares adopted in the calculation of the basic earnings per share for the years ended 31 August 2020 and 2019 has been arrived at after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

10. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Favorable lease *RMB'000*	Total *RMB'000*
As at 1 September 2019				
Carrying amount	270,735	204,514	4,607	479,856
As at 31 August 2020				
Carrying amount	298,508	201,384	4,083	503,975
For the year ended 31 August 2020				
Depreciation charge	7,466	25,349	524	33,339
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16				2,602
Variable lease payments not included in the measurement of lease liabilities				5,759
Total cash outflow for leases				63,828
Additions to right-of-use assets				57,458

For both years, the Group leases various buildings for its operations. Lease contracts are entered into for a fixed term of 12 months to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

11. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 3 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
COST	
At 1 September 2018	357,776
Exchange adjustments	9,262
At 31 August 2019	367,038
Additions	10,427
Exchange adjustments	(5,834)
At 31 August 2020	371,631
DEPRECIATION	
At 1 September 2018	14,840
Provided for the year	3,888
Exchange adjustments	245
At 31 August 2019	18,973
Provided for the year	4,093
Exchange adjustments	(176)
At 31 August 2020	22,890
CARRYING VALUES	
At 31 August 2020	348,741
At 31 August 2019	348,065

The fair value of the Group's investment properties at 31 August 2020 is RMB410,633,000 (2019: RMB381,935,000). The fair value has been arrived based on a valuation carried out by Debenham Tie Leung Limited ("**DTZ**") for investment property located in PRC; by Savills Valuation And Professional Service (S) Pte Ltd. ("**Savills**") for investment property located in Singapore, and by the Group for investment property located in Canada. DTZ is a member of the Hong Kong Institute of Surveyors, Savills is a member of the Singapore Institute of Valuers and Surveyors. 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 2020	**9,120**	33,000
At 31 August 2019	**9,732**	33,000

	Carrying value *RMB'000*	Level 3 Fair value *RMB'000*
Commercial property units located in Singapore		
At 31 August 2020	**329,549**	337,220
At 31 August 2019	**338,333**	348,935

	Carrying value *RMB'000*	Level 3 Fair value *RMB'000*
Commercial property units located in Canada		
At 31 August 2020	**10,072**	40,413

The above investment properties are depreciated on a straight-line basis at 1%, 2% and 3.2% per annum, respectively. The Group's investment properties are situated on land in the PRC, Singapore and Canada, the investment properties located in Singapore have been pledged to secure banking borrowings of the Group.

12. GOODWILL

	2020 *RMB'000*	2019 *RMB'000*
COST AND CARRYING VALUES		
At 1 September	**252,848**	165,968
Arising on acquisition of subsidiaries	**2,196,089**	86,880
Exchange adjustment	**405**	–
At 31 August	**2,449,342**	252,848

13. OTHER INTANGIBLE ASSETS

	Student base *RMB'000*	Licence *RMB'000*	Trademark *RMB'000*	Favorable lease *RMB'000*	Total *RMB'000*
COST					
At 1 September 2018	33,100	1,500	–	6,200	40,800
Acquired through acquisition of a subsidiary	12,200	221	–	–	12,421
At 31 August 2019	45,300	1,721	–	6,200	53,221
Adjustment upon application of IFRS 16	–	–	–	(6,200)	(6,200)
At 1 September 2019 (restated)	45,300	1,721	–	–	47,021
Exchange adjustments	(10)	635	468	–	1,093
Acquired through acquisition of subsidiaries	321,941	70,618	587,161	–	979,720
At 31 August 2020	367,231	72,974	587,629	–	1,027,834
AMORTISATION					
At 1 September 2018	699	722	–	553	1,974
Provided for the year	5,787	408	–	1,040	7,235
At 31 August 2019	6,486	1,130	–	1,593	9,209
Adjustment upon application of IFRS 16	–	–	–	(1,593)	(1,593)
At 1 September 2019 (restated)	6,486	1,130	–	–	7,616
Exchange adjustments	1	36	–	–	37
Provided for the year	11,339	4,179	–	–	15,518
At 31 August 2020	17,826	5,345	–	–	23,171
CARRYING VALUES					
At 31 August 2020	349,405	67,629	587,629	–	1,004,663
At 31 August 2019	38,814	591	–	4,607	44,012

The trademark of Kingsley and Canadian International School has a legal life of 10 years and is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

All of the Group's student base, trademark and licence were acquired through business combination. Trademark has an infinite estimated useful life. Student base has a finite estimated useful life and are amortised on expected usage of the intangible assets. Licence has a finite estimated useful life of 1.75 - 4 years and it is amortised on the straight-line basis over the estimated useful life.

14. PLEDGED BANK DEPOSITS

	31/8/2020	31/8/2019
	RMB'000	*RMB'000*
Deposits pledged for banking facilities	**1,544,668**	132,000
Analysed for reporting purposes as:		
Current assets disclosed as pledged bank deposits	**1,412,668**	–
Non-current assets disclosed as pledged bank deposits	**132,000**	132,000
	1,544,668	132,000

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

Dalian Educational Group entered into a banking facility agreement with United Overseas Bank on 23 August 2016 for a loan amounting to SGD23,103,000 (equivalent to RMB116,627,000). Bank deposits of RMB132,000,000 placed with the bank at the interest rate of 2.84% per annum is pledged with the bank for a period of two years and renewed on 31 August 2020.

Beipeng Software entered into another banking facility agreement with China Merchants Bank Co., Ltd. on 31 July 2020 for a loan amounting to SGD259,027,000 (equivalent to RMB1,308,235,000). Bank deposits with a principal of RMB1,410,025,000 placed with the bank at the interest rate of 2.25% per annum are pledged with the bank for a period of one year.

15. DEPOSITS, PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	31/8/2020	31/8/2019
	RMB'000	*RMB'000*
Consideration adjustment receivable	**46,731**	–
Receivable from third parties	**39,765**	39,028
Short-term loan to a third party *(note)*	**30,000**	30,000
Management fees receivables	**12,592**	31,384
Prepaid rent and other prepaid expenses	**11,042**	11,113
Deposits	**8,542**	5,910
Trade receivables net of allowance for credit losses	**5,841**	–
Interest receivables	**2,019**	6,619
Staff advances	**464**	1,069
Prepaid lease payments	**–**	7,323
Others	**17,092**	11,837
	174,088	144,283

Note: In 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. In March 2020, the Group extended the loan agreement to March 2021. 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.

16. BANK BALANCES AND CASH

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

As at 31 August 2020, the Group's bank deposits carry interest at market rates which range from 0.30% to 2.03% (31 August 2019: 0.30% to 2.65%) 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.

	31/8/2020	31/8/2019
	RMB'000	*RMB'000*
Currency:		
HKD	**20,818**	305,266
United States dollar ("**USD**")	**100,404**	166,330
Canadian dollar ("**CAD**")	**3,469**	92,857
Singapore dollar ("**SGD**")	**6,527**	3,631
Australian dollar ("**AUD**")	**27**	141
	131,245	568,225

17. CONTRACT LIABILITIES

	31/8/2020	31/8/2019
	RMB'000	*RMB'000*
Tuition and boarding fees	**1,444,104**	1,302,744
Others	**61,898**	72,860
	1,506,002	1,375,604

18. OTHER PAYABLES AND ACCRUED EXPENSES

	31/8/2020	31/8/2019
	RMB'000	*RMB'000*
Miscellaneous expenses received from students *(Note)*	**222,404**	193,121
Payables for purchase of property and equipment	**153,701**	67,702
Acquisition consideration payable	**64,015**	68,718
Accrued payroll	**44,579**	23,660
Deposits received from students	**38,588**	17,278
Accrued professional fees for the acquisition	**13,903**	–
Payables for purchase of goods	**6,982**	6,485
Government grant	**5,994**	–
Accrued operating expenses	**4,784**	2,326
Prepayment from lessee	**4,470**	3,942
Other tax payables	**6,110**	6,804
Others	**62,558**	46,779
	628,088	436,815

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

19. BORROWINGS

	31/8/2020	31/8/2019
	RMB'000	*RMB'000*
Secured bank borrowings	**3,630,566**	330,989
The carrying amounts of the above borrowings are repayable:		
Within one year	**2,303,062**	123,475
Within a period of more than one year but not exceeding two years	**357,992**	4,926
Within a period of more than two years but not exceeding five years	**917,885**	202,588
Within a period of more than five years	**51,627**	–
	3,630,566	330,989
Less: Amounts due within one year shown under current liabilities	**(2,303,062)**	(123,475)
Amounts shown under non-current liabilities	**1,327,504**	207,514

During the year ended 31 August 2020, the Group obtained borrowings amounting to SGD698,942,000 (equivalent to RMB3,529,236,000) and MYR61,562,000 (equivalent to RMB101,330,000).

The borrowings amounting to SGD23,103,000 and SGD259,027,000 (in aggregate equivalent to RMB1,424,862,000) are secured by pledged bank deposits of RMB132,000,000 of Dalian Educational Group and RMB1,410,025,000 of Beipeng Software.

The borrowings amounting to SGD40,760,000 (equivalent to RMB205,765,000) are mortgaged over an investment property owned by Maple Leaf Education Hillside Pte. Ltd. ("**Maple Hillside**") of RMB329,549,000 (Note 11), and existing and future legal assignment of rental proceeds, rental deposits and other rights of Maple Hillside.

The borrowing amounting to SGD376,052,000 (equivalent to RMB1,898,609,000) is secured over (1) all the shares of Offshore Group (including Canadian International School Pte. Ltd. and Maple Leaf CIS Holdings Pte. Ltd.); (2) all the assets of the Offshore Group; (3) debt service reserve account held by Maple Leaf CIS Holdings Pte. Ltd.; (4) dividend accounts (if any), and (5) pledge over all the shares of Beipeng Software.

The borrowings amounting to MYR61,562,000 (equivalent to RMB101,330,000) is secured by pledge of debt service reserve account held by Kingsley International Sendirian Berhad (subsidiaries owned by Kingsley) and debenture incorporating fixed and floating charge over all assets and undertakings of Kingsley.

These borrowings carry interest at fixed or variable interest rates ranging from 0.70% to 5.58% (31 August 2019: 2.03% to 3.76%) per annum.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 August 2020 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.

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 2020 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 most of the applicable code provisions, save and except for code provision 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 ("**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.

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. 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 year ended 31 August 2020.

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

During the year ended 31 August 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Annual General meeting

The 2021 Annual General Meeting ("**AGM**") will be held on 27 January 2021 (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 did not recommend the payment of a final dividend for the year ended 31 August 2020.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on 27 January 2021 (Wednesday), the register of members of the Company will be closed from 21 January 2021 (Thursday) to 27 January 2021 (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 20 January 2021 (Wednesday).

Audit Committee

The Company has established an Audit Committee with written terms of reference in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Lap Tat Arthur Wong, Mr. Peter Humphrey Owen and Mr. Alan Shaver, 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 2020 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 2020

Up to the date of announcement, the Group has no subsequent event after 31 August 2020 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 2020 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, 30 November 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; and Mr. Peter Humphrey Owen, Mr. Alan Shaver and Mr. Lap Tat Arthur Wong as Independent Non-executive Directors.

* *For identification purposes only*