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China Maple Leaf Educational Systems Limited

中國楓葉教育集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1317)

QUARTERLY UPDATE ON RESUMPTION PROGRESS

This announcement is made by China Maple Leaf Educational Systems Limited (“**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 27 April 2022, 16 May 2022, 23 May 2022, 30 May 2022, 14 June 2022, 18 July 2022, 25 July 2022, 2 August 2022, 1 November 2022, 30 November 2022, 1 February 2023, 14 April 2023, 18 April 2023, 28 April 2023, 19 June 2023, 28 June 2023, 4 July 2023, 6 July 2023 and 7 July 2023 (collectively, the “**Announcements**”) in relation to, among other matters, (i) the delay in publication of the unaudited interim results of the Group for the six months ended 28 February 2022 (“**2022 Interim Results**”); (ii) the suspension of trading in the securities of the Company (“**Suspension**”); (iii) the establishment of the independent board committee of the Board and the appointment of the independent investigator; (iv) the Resumption Guidance; (v) the resignation of auditor of the Company; (vi) the appointment of auditor of the Company (“**Auditor**”); (vii) the quarterly update on resumption progress; (viii) the delay in publication of the audited annual results of the Group for the year ended 31 August 2022 (“**2022 Annual Results**”); (ix) the update in relation to compliance with certain conditions of the convertible bonds due 2026 (“**Bonds**”); (x) the relevant event in relation to the Bonds; (xi) the delay in publication of the unaudited interim results of the Group for the six months ended 28 February 2023 (“**2023 Interim Results**”); (xii) summary of key findings of the Independent Investigation in the independent forensic accounting investigation report (“**Investigation Report**”); (xiii) summary of key findings of the internal control review of the Company in the internal control review report (“**IC Review Report**”); and (xiv) the past connected transaction in relation to the acquisition of a property. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the Shareholders and potential investors that as at the date of this announcement, the latest development of the Company and the progress of fulfilling the Resumption Guidance are as follows:

UPDATE ON BUSINESS OPERATIONS/THE BONDS

The Group operates a network of bilingual private schools and preschools in the People's Republic of China (“**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 World School Program and bilingual education mainly within the PRC and Southeast Asia.

The Company would like to inform the Shareholders and potential investors of the followings:

- (a) as disclosed in the announcement of the Company dated 18 April 2023, a Relevant Event occurred on 17 April 2023 on the basis that, the Shares of the Company continue to remain suspended from trading on the Stock Exchange;
- (b) upon the occurrence of a Relevant Event, the holder of each Bond will have the right, at such holder's option, to exercise the Bondholder Put Option;
- (c) as also disclosed in the announcements of the Company dated 14 April 2023 and 28 June 2023, the Company shall not exercise the CIS Encumbrance Option pursuant to Condition 4(C) (*Second Ranking CIS Encumbrance*) of the Bonds on the basis that the creation of the Second Ranking CIS Encumbrance would trigger an ‘event of default’ under the New SGD Loan. Consequently, on 27 June 2023, under Condition 8(F)(ii) (*Mandatory redemption*) of the Bonds, the Company is required to make the Second Mandatory Redemption. However, due to the prevailing controls of the State Administration of Foreign Exchange of the PRC and other related PRC policies and regulations which were currently preventing the Company and its applicable Subsidiaries from remitting sufficient funds out of the PRC, regrettably, the Company would not have sufficient offshore funds to make the Second Mandatory Redemption on 27 June 2023, resulting in the occurrence of an Event of Default on 28 June 2023 under Conditions 10(A)(i) of the Bonds;
- (d) as disclosed in the announcement of the Company dated 19 June 2023, the Exercise Period expired on 17 June 2023. As at 17 June 2023, the aggregate outstanding principal amount of the Bonds was U.S.\$75,000,000 and the aggregate principal face value of the Bonds in respect of which the Paying Agent has received a Relevant Event Redemption Notice on or prior to the expiry of the Exercise Period was US\$20,200,000. The Company remained firmly committed to reaching a consensual resolution, including ensuring that the holders of the Bonds are repaid in full, over time; and

- (e) the Company will continue to engage Ashurst Hong Kong as its legal advisor in relation to the Bonds with a view to assisting the Company to facilitate a transparent dialogue between the Company and the Bondholders. In this regard, the Company has entered into discussions with a group of holders of the Bonds who collectively hold or are economically entitled to approximately 80 per cent. of the principal amount of the Bonds with a view to agreeing certain amendments and corresponding waivers in relation to the Bonds (“**Consensual Restructuring**”). The Company will make further announcement(s) in relation to the above matters as and when appropriate.

Save as disclosed above, as at the date of this announcement, the business operations of the Group are continuing as usual in all material aspects notwithstanding the Suspension. The Group has adjusted its development strategy by focusing on the development of high schools; Maple Leaf World School Program was accredited by Cognia and benchmarked by UK ENIC and the Group’s first batch of graduates from the World School Program received Maple Leaf High School Graduation Diplomas endorsed by Cognia in June 2023.

RESUMPTION PLAN AND PROGRESS

The following table sets forth the Company’s resumption plan and the relevant progress in fulfilling the Resumption Guidance:

Resumption Guidance	Progress
(a) publish all outstanding financial results required under the Listing Rules and address any audit modifications	<p>Additional time is required by the Auditor to take into account the findings of the Independent Investigation before the finalisation and publication of the 2022 Interim Results, the 2022 Annual Results and the 2023 Interim Results. The Auditor has commenced the review work for the 2022 and 2023 Interim Results and the audit work of the Group for the year ended 31 August 2022. The publication of the 2023 Interim Results will be postponed to a later date after the publication of the 2022 Interim Results and the 2022 Annual Results.</p> <p>The Company will continue to work closely with the Auditor to prepare, finalise and publish (i) the 2022 Interim Results and the report for the six months ended 28 February 2022; (ii) the 2022 Annual Results and the annual report for the year ended 31 August 2022; and (iii) the 2023 Interim Results and the report for the six months ended 28 February 2023 as soon as practicable.</p>

- (b) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules
- The Group is principally engaged in the operation of international schools in the PRC and Southeast Asia. Since the Suspension and up to the date of this announcement, the Group has continued its normal business operations with a focus on the development of high schools that offer the World School Program and bilingual education.
- (c) conduct an appropriate independent forensic investigation into the matters identified in the Letter, announce the findings and take appropriate remedial actions
- As disclosed in the announcement of the Company dated 4 July 2023, on 20 June 2023, the Independent Investigator has completed the Independent Investigation and issued the Investigation Report on the findings of the Independent Investigation and provide recommendations to the IBC in respect of the Relevant Matters to the IBC. For details, please refer to the announcement of the Company dated 4 July 2023.
- The Board accepted the IBC's recommendations in their entirety and has resolved to (i) adopt the findings of the Investigation Report and (ii) implement the recommendations of the IBC.
- (d) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence
- Based on the findings from the Independent Investigation, the Investigation Report and the IC Review Report, nothing was brought to the attention of the IBC and the Board with reference to the Investigation Report that would suggest any current or former Directors or senior management of the Company engaged in any fraudulent or dishonest acts with regard to the Relevant Matters that might pose a risk to the Shareholders and potential investors and/or damage market confidence.

(e) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules

As disclosed in the announcement of the Company dated 4 July 2023, the IC Consultant has finished the IC Review with a review period from 1 September 2021 to 31 August 2022 (“**First Review**”). The IC Consultant has identified certain key findings and made certain recommendations in the First Review and completed the follow-up review with a review period from the date of implementation of remedial measures by the Group to 20 June 2023 (“**Follow-up Review**”). The IC Consultant has issued the IC Review Report on 20 June 2023 and concluded that the Group has implemented recommended remedial measures to rectify the deficiencies identified in the First Review. No material deficiencies in the Company’s internal controls and procedures were noted in the Follow-up Review.

(f) announce all material information for the Shareholders and investors to appraise its position

Since the Suspension and up to the date of this announcement, the Company has kept the Shareholders and potential investors informed of all material information in relation to the Relevant Matters, the Resumption Guidance and any relevant updates and progress by way of announcements.

The Company will continue to keep the Shareholders and potential investors informed of any relevant material development by making further announcement(s) as and when appropriate in accordance with the requirements under the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on the Stock Exchange has been suspended since 9:00 a.m. on 3 May 2022 due to the delay in publication of the 2022 Interim Results and will remain suspended until the Company fulfils the Resumption Guidance imposed by the Stock Exchange on the Company as described in the announcement of the Company dated 30 May 2022.

The Company will publish further announcement(s) to inform the Shareholders and potential investors of its progress in complying with the Resumption Guidance as and when appropriate, as well as quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Maple Leaf Educational Systems Limited
Shu Liang Sherman Jen
Chairman and Chief Executive Officer

Hong Kong, 1 August 2023

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; Dr. Kem Hussain as a non-executive director; and Mr. Peter Humphrey Owen, Mr. Alan Shaver, Ms. Wai Fong Wong and Mr. King Pak Lau as independent non-executive directors.

* *For identification purposes only*