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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)**

### **FULFILMENT OF RESUMPTION GUIDANCE AND RESUMPTION 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. As the Company has fulfilled all Resumption Guidance, an application has been made by the Company to the Stock Exchange for the resumption of trading in the shares and the debt securities of the Company on the Stock Exchange with effect from 9:00 a.m. on 2 November 2023.

This announcement is made by China Maple Leaf Educational Systems Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) pursuant to Rule 13.09 (2)(a) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in 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, 7 July 2023, 1 August 2023, 18 August 2023, 12 September 2023, 29 September 2023, 8 October 2023 and 12 October 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 events 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**”); (xiv) the past connected transaction in relation to the acquisition of a property; (xv) the announcements of 2022 Interim Results, 2022 Annual Results and 2023 Interim Results; and (xvi) the issuance of 2022 Interim Report, 2022 Annual Report and 2023 Interim Report. Unless otherwise defined, terms used herein shall have the same meanings as defined in the Announcements.

## **RESUMPTION GUIDANCE**

Trading in the shares of the Company has been suspended since 3 May 2022 due to the delay in publication of the 2022 Interim Results and the Relevant Matters identified during the course of the then auditor’s review of the Interim Results. Reference is made to the announcement of the Company dated 16 May 2022 in relation to a letter (“**Letter**”) from SHINEWING (HK) CPA Limited (“**SHINEWING**”), the then auditor of the Company, on 13 May 2022 regarding significant matters in relation to certain transactions of the Group identified during the course of its review of the 2022 Interim Results (“**Relevant Matters**”). A summary of the Relevant Matters then identified was as follows:

- (1) Relevant Matter 1: the increase in the percentage level of the management fee received from school canteens operated by third party service providers for the six months ended 28 February 2022 (“**Period**”). Management fee of RMB32 million was received by the Group during the Period. Certain of the transactions were settled by the Affected Schools;
- (2) Relevant Matter 2: Royalty income from the Affected Schools for the Intellectual Property Use Rights (知識產權授權使用費) was charged for the Period. There was no sufficient and reasonable basis for determining the royalty income nor duration for the right-of-use asset specified in the relevant contract;
- (3) Relevant Matter 3: Lack of proper records in respect of the acquisition of an investment property at a consideration of RMB40 million during the Period and in the previous years; and
- (4) Relevant Matter 4: A large number of fund movements during the Period between the Affected Schools and the Company as well as tuition fees received and capital expenditure paid on behalf of the Affected Schools.

For details of the Relevant Matters, please refer to the announcement of the Company dated 23 May 2022. SHINEWING suggested the Audit Committee to establish an independent investigation committee to investigate the Relevant Matters and the internal control over financial reporting and to engage an independent third party investigator to assist it with the independent investigation.

Subsequently, on 27 May 2022, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the Company's shares ("**Resumption Guidance**"):

- (a) conduct an appropriate independent forensic investigation into the matters identified in the Letter, announce the findings and take appropriate remedial actions (the "**Resumption Guidance 1**");
- (b) publish all outstanding financial results required under the Listing Rules and address any audit modifications (the "**Resumption Guidance 2**");
- (c) 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 (the "**Resumption Guidance 3**");
- (d) 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 (the "**Resumption Guidance 4**");
- (e) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules (the "**Resumption Guidance 5**"); and
- (f) announce all material information for the Company's shareholders and investors to appraise its position (the "**Resumption Guidance 6**").

## **FULFILMENT OF ALL RESUMPTION GUIDANCE**

The Company would like to inform the shareholders of the Company and the public that the Company has fulfilled all Resumption Guidance, with details as follows:

***Resumption Guidance 1: 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 14 June 2022, the independent board committee of the Board ("**IBC**") has appointed RSM Corporate Advisory (Hong Kong) Limited ("**RSM**") as the independent forensic accountant ("**Independent Investigator**") to conduct an independent forensic accounting review ("**Independent Investigation**") into the Relevant Matters and prepare an Investigation Report on the findings of the Independent Investigation and provide recommendations to the IBC in respect of the Relevant Matters. Key findings made by the Independent Investigator, together with the view of the IBC including the recommendations from the IBC, and the overall responses from the Board, have been announced by the Company on 4 July 2023.

## Key findings of the Independent Investigation and future action

### *Matter 1 – Management fee received from the Canteen Subcontractors amounted to RMB32 million for the Period*

- (i) Dalian Maple Leaf Catering Service Company Limited (“**Catering Company**”) entered into cooperation agreements (餐飲公司、食堂合作協議書) (“**Cooperation Agreements**”) and supplemental cooperation agreements (餐飲公司、食堂合作補充協議) (“**Supplemental Cooperation Agreements**”) with various individual subcontractors of the school canteens of the Group (“**Canteen Subcontractors**”) in relation to the canteen management services provided by the Catering Company to the Canteen Subcontractors. The Catering Company received management fees from the Canteen Subcontractors accordingly (“**Management Fees**”).
- (ii) **Significant growth in the Management Fees**
- (I) The Management Fees for the six months ended 28 February 2021 and 31 August 2021 amounted to approximately RMB4.7 million and RMB4.5 million respectively, (i.e. equivalent to 5% of the school canteens’ turnover); whereas the Management Fees for the Period amounted to approximately RMB32 million (i.e. equivalent to 45% of the school canteens’ turnover).
- (II) The late Mr. WQ Li (the then legal representative and executive director of the Catering Company) was entrusted and/or delegated to manage and acted as the ultimate controller and/or decision maker of the Catering Company. Mr. WQ Li held absolute power and control over the Catering Company from its incorporation on 26 May 2015 until his passing in May 2022.
- (III) Low Management Fees in the financial year ended 31 August 2020 (“**FY19/20**”) and the financial year ended 31 August 2021 (“**FY20/21**”)
- (a) The Management Fees consisted of two parts, namely basic management fees and additional management fees. While the basic management fees remained unchanged at 5% all the time, the additional management fees varied depending on the services provided every year. Mr. WQ Li decided only to charge the basic management fees of 5% without charging any additional management fees for FY19/20 and FY20/21 because of the Covid-19 pandemic.
- (b) Both the basic management fee rate or the additional management fee rate were not specified in the Cooperation Agreement. The total management fees rate of 45% was specified in the Supplemental Cooperation Agreements.

(IV) Extended and enhanced services pursuant to the Supplemental Cooperation Agreements

- (a) According to the Cooperation Agreements, the Catering Company would provide seven canteen management services to the Canteen Subcontractors. Pursuant to the Supplemental Cooperation Agreement, four new services would be added and two existing services would be enhanced for the period from 1 September 2021 to 31 August 2022. In consideration of the extensions and enhancements of the services, the Management Fees would be increased to 45% of the revenue of the school canteens.
- (b) However, due to the Covid-19 pandemic, the Catering Company was unable to provide some of the new services as planned or agreed.

(V) Smart canteen system

- (a) Mr. WQ Li had intended to install smart canteen system for the school canteens in the financial year ended 31 August 2022 (“FY21/22”) to guarantee the food safety and lower the costs of the canteens.
- (b) The smart canteen system would cost around RMB25 million to RMB30 million in 2021. In order to finance the installation costs of the smart canteen system, Mr. WQ Li decided to implement a one-off increase in Management Fees to 45% for FY21/22.

(VI) Reduction of the Management Fees

- (a) Given that the smart canteen system ended up not being implemented due to the passing of Mr. WQ Li in May 2022, in around August 2022, Ms. JX Zhang (the executive director and chief financial officer of the Company) decided to reduce the Management Fees for FY21/22 and FY22/23 from 45% to 15%.
- (b) The excess payments made by the Canteen Subcontractors amounting to approximately RMB13.2 million as at 31 August 2022 were not refunded to the Canteen Subcontractors but treated as Management Fees received in advance instead.
- (c) Due to the retrospective reduction of the Management Fees from 45% to 15%, the excess amount paid by the Canteen Subcontractors will be applied to offset with the Management Fees in future and the Canteen Subcontractors did not make any objection to that.

**(iii) The Cooperation Agreements and the Supplemental Cooperation Agreements were undated and had no identification information other than the name**

(I) The Company explained that the identification information of the Canteen Subcontractors was not a “must-have” element of an agreement and provided that, given the subcontractors were individuals, the Cooperation Agreements should be legally valid if they were signed by the Canteen Subcontractors, as opined by Guangdong Guanghe Law Firm\* (廣東廣和律師事務所) (“**GD Guanghe**”).

(II) Signing arrangement

(a) Most of the Cooperation Agreements and the Supplemental Cooperation Agreements were signed by various staff members of the Group on behalf of the Canteen Subcontractors using the respective Canteen Subcontractors’ names (rather than their own) (“**Signing Arrangements**”).

(b) The Canteen Subcontractors had issued various authorisation letters (“**Authorisation Letters**”) to authorise the respective staff members of the Group to execute the Cooperation Agreements and any supplemental cooperation agreements on their behalf.

(c) The Authorisation Letters were in fact issued by the Canteen Subcontractors after the execution of the Cooperation Agreements and were backdated to various dates before the execution date shown on the Cooperation Agreements (i.e. the Authorisation Letters had not existed or were not signed by the Canteen Subcontractors when the Cooperation Agreements were executed by the staff of the Group on behalf of the Canteen Subcontractors).

(d) The Canteen Subcontractors who attended interviews were of the view that the credibility of Mr. WQ Li as well as the Group was even more important than the agreements. Also, given that operating school canteens is considerably profitable, many others are keen to cooperate with the Group and the Group could easily find replacement of the Canteen Subcontractors. Hence, they considered themselves not having much bargaining power on the requests made by the Catering Company and/or the Group; perhaps the respective schools. They would like to maintain long term cooperation with the Group and would submit themselves to Group’s requests in order to avoid offending the Group. Therefore, they agreed to sign the arrangements and subsequently issued and/or signed the respective backdated Authorisation Letter at the Catering Company’s request.



**(iv) Management Fees were settled by the Affected Schools**

- (I) The school canteens are nominally operated by the schools, and according to the food operation permits (食品經營許可證), operator of the school canteens were the schools while the legal representatives (responsible persons) were the headmasters of the schools or the senior management of the Group, such as Mr. Sherman Jen (the executive director, chairman of the Board and chief executive officer of the Company) and Ms. JX Zhang.
- (II) The Canteens Subcontractors were unable to open bank accounts under the name of the school canteens and the said bank accounts (the “**Canteen Bank Account**”) could only be opened by the canteen operators (i.e. the schools). On the other hand, it is prohibited by the PRC law for the Canteen Subcontractors to carry out business transactions through personal bank accounts. Therefore, the Canteen Subcontractors had to use the Canteen Bank Accounts for the receipts and payments of funds in relation to the canteens’ operations.
- (III) Based on the legal advice obtained by Dalian Maple Leaf Educational Group Company Limited\* (大連楓葉教育集團有限公司) (“**Dalian ML Group**”) from Beijing Jingtian Gongcheng (Chengdu) Law Firm\* (北京市競天公誠(成都)律師事務所) (“**JTGC**”), neither the schools nor the Canteen Subcontractors would be able to operate the Canteen Bank Accounts without the other side’s consent.
- (IV) Both the Company and the Canteen Subcontractors stated that the funds in the Canteen Bank Accounts belonged to the Canteen Subcontractors instead of the schools or the Group. This is echoed by the legal advice of JTGC.

**(v) The Canteen Subcontractors were addressed as “Canteen Managers”**

- (I) Since the canteens were run by the Canteen Subcontractors who are natural person individuals, it was the usual practice to address the subcontractors as “經理” (literally “**manager**”) following their surname. It would quite awkward to address them as “承包商” (literally “**subcontractor**”) in daily communications.

**(vi) No increment in corresponding cost**

- (I) The Company explained that the primary reason of the increase in the Management Fees to 45% was to cover the costs of the contemplated installation of the smart canteen system. Since the smart canteen system had not been purchased yet, such costs had not been incurred by the Catering Company for the six months ended 28 February 2022.
- (II) In addition, only limited extended and/or enhanced services were performed by the Catering Company and the Company stated that most of them were performed by the existing staff of the Catering Company, therefore, no significant costs were incurred for that.

**(vii) Two sets of accounting voucher**

- (I) The treasurer of the Catering Company, Ms. Ling Yu (于玲) (the treasurer of the Catering Company), stated that the said two sets of accounting vouchers were prepared by her. The initial set of vouchers was the one with the description “Recognition of 2019-2021 school year accrued management fee”. She stated that it was prepared according to the instructions of Mr. WQ Li and the calculation was based on the turnover of certain school canteens in FY19/20 and FY20/21.
- (II) Mr. Ling Yu further stated that Mr. WQ Li subsequently clarified with her that the correct nature of the transaction was the recognition of the additional management fees for the period from 1 September 2021 to 28 February 2022 pursuant to the Supplemental Cooperation Agreements.

**(viii) Conclusion**

- (I) According to the Supplemental Cooperation Agreements, the Catering Company’s provision of new or enhanced services to the Canteen Subcontractors led to the significant increase of the Management Fees from 5% to 45% during the Period. However, due to lack of documentation, there was insufficient evidence to support the company’s initial intentions and planned timeline for offering these services.
- (II) Also, the arrangement of the signing/execution of the Supplemental Cooperation Agreements was crude or primitive and/or lack of proper arrangement including but not limited to backdating and/or signing via informalised power of attorney.
- (III) The entire process from drafting to signing of the Supplemental Cooperation Agreements to the subsequent performance of the Supplemental Cooperation Agreements had been lack of documentation and records including the asserted core reason of the increase in management fee or revenue sharing.
- (IV) However, interviews with the Canteen Subcontractors revealed that their trust and confidence in Mr. WQ Li, coupled with their evaluation of profitability associated with the ongoing operating of the canteen at each school, played pivotal roles in their decision to accept or enter into the Supplemental Cooperation Agreement.
- (V) Moreover, it would also appear that the Canteen Subcontractors acknowledged their limited bargaining power with the school (and/or the school and Catering Company acting together) because they could not operate without the school’s consent and commercially, they had been making decent profit (including taking into account that they had paid 10 to 20 plus percent of revenue sharing in the past).
- (VI) This seems to be the possible reasons which caused the deviation between the agreement and the actual performance, the lack of documentation in support of the negotiation, the primitive arrangement and the drastic increase of the management fees. Lastly, no evidence has been identified at this stage suggesting that the Company had suffered any financial loss as a result of this incident.



- (VII) Further, given that the smart canteen system ended up not being implemented due to the passing of Mr. WQ Li in May 2022, in around August 2022, Ms. JX Zhang decided to reduce the Management Fees for FY21/22 and FY22/23 from 45% to 15%. The excess payments made by the Canteen Subcontractors were treated as Management Fees received in advance and will be applied to offset with the Management Fees in future.

***Action taken/response from the Company***

In response, the management of the Company had reached a decision of the retrospective reduction of the Management Fees from 45% to 15% and the excess amount paid will be applied to offset with the Management Fees payable by the then Canteen Subcontractors and the Canteen Subcontractors did not make any objection to that. Subsequently, the Group has entered into termination agreements with the relevant Canteen Subcontractors to terminate such subcontracting arrangements with effect from 31 August 2023 and up to the date of this announcement, all accounts receivable/payables, including the relevant excess amount paid by the Canteen Subcontractors, have already been fully settled and/or refunded. As part of the remedial actions, certain schools of the Group entered into new canteen service agreements with an independent third-party institutional contractor which have taken effect before the beginning of the school year on 1 September 2023.

***Matter 2 – Royalty income from the Affected Schools for the CIP Use Rights amounted to RMB23 Million for the Period***

**(i) New royalty income**

- (I) In around February 2021, the Group intended to transfer some of the characteristic intellectual properties (the “CIP”) owned by the Group to Tech Global Investment Limited (“Tech Global”). Tech Global would then charge the schools within the Group royalty fees for the use of the CIP, and when conditions were ripe, the CIP could be exported to schools outside the Group.
- (II) Ms. Ying Gao (the financial controller of the Company) stated that she commenced the preparation work and preliminarily discussed with Mr. Jian Zhang (張健) (the assistant to the chief financial officer of the Company and the financial controller of a subsidiary of the Company) in March 2021 about the content of the CIP contracts. However, only until mid-August 2021, Ms. Ying Gao calculated the royalty fee to be paid by each relevant school and requested the finance staff of each relevant school through Tencent QQ to confirm the respective total income of tuition fee income and accommodation fee for the year ended 31 December 2020.
- (III) In late August 2021, Ms. Ying Gao and Mr. Jian Zhang finalised the CIP Use Rights contracts (“CIP Contracts”) to be entered into between Tech Global and 25 schools (“CIP Schools”), 23 of which were the Affected Schools (“Affected CIP Schools”). Meanwhile, Ms. Ying Gao verbally informed the finance staff of each CIP Schools via telephone that she had reversed the closed accounts (反結賬) of Yonyou System (用友系統) of March 2021 and recorded the royalty fees for the use of the CIP as “Costs of sales” for each of the CIP Schools by the journal entries dated 31 March 2021. The said accounting entries were backdated to 31 March 2021.

- (IV) On 8 September 2021, Ms. Ying Gao affixed the electronic chop of Tech Global to the CIP Contracts and sent the CIP Contracts together with the invoices for the royalty fees to the CIP Schools, except Huaian Enlai Maple Leaf Bilingual School\* (淮安恩來楓葉雙語學校) (“**Enlai Bilingual**”), by email.
- (V) The CIP Contracts were dated 1 March 2021 and the accounting entries were dated 31 March 2021 since it was agreed at the meeting in February 2021 that the royalty fees would be charged by Tech Global to the CIP Schools in March 2021, notwithstanding that the CIP Contracts were entered into in September 2021.
- (VI) On 9 September 2021, Dalian ML Group filed the application to the Liaoning Province Copyright Office (“**Copyright Office**”) and on around 17 September 2021, the CIP were registered under Dalian ML Group.
- (VII) Ms. Ying Gao stated that she, having considered that the registration of the CIP under Tech Global had not been completed in FY20/21, on 13 September 2021, instructed the Group’s finance staff, namely Ms. Chen Chen (陳晨), to record accounting entries dated 31 August 2021 through the accounting system used by the Group for consolidation, namely SunSystems, to reverse the royalty fees at the consolidated level, and by then, SunSystems automatically re-booked the royalty fees as the expenses in FY21/22.
- (VIII) On 24 September 2021, Dalian ML Group entered into a CIP transfer agreement with Tech Global and transferred the CIP to Tech Global for no consideration.
- (IX) On 27 September 2021, Dalian ML Group made applications to the Copyright Protection Centre of China\* (中國版權保護中心) (the “**CP Centre**”) for transfer of the ownerships of all the 13 CIP to Tech Global. The transfers of the 13 CIP were registered on 4 November 2021.
- (X) In other words, when entering into the CIP Contracts, Tech Global did not have the ownerships of the CIP and even the CIP had not been registered with the Copyright Office.

**(ii) Basis of determination of the Royalty Income**

- (I) The basis of the royalty income was made to a transfer pricing report prepared by Deloitte (“**TP Report**”) when determining the rate of the royalty income. Based on the TP Report, the first quartile, median and third quartile of the CIP Use Rights fee were 5.75%, 8% and 9.5% of the gross revenue respectively.
- (II) Tech Global charged the royalty fee at 2% or 3% of the gross revenue (i.e. tuition fee and accommodation fee) of the schools, which was lower than the first quartile rate in the TP Report. The royalty fees were calculated based on the gross revenue of the CIP Schools for the previous year, i.e. the year ended 31 December 2020.

**(iii) No duration of the CIP Use Rights**

- (I) According to the TP Report, the royalty fees should be based on the revenue of the schools, while the right of use of the CIP appeared to be perpetual and the schools could continuously generate income by using the CIP, it does not sound commercially reasonable for Tech Global to charge the royalty fees based on the tuition fees and accommodation fees revenue of the CIP Schools for only one year (i.e. 2020) for the perpetual right of use in the sense that the royalty fees would be disproportional with the revenue from the CIP. Ms. Ying Gao stated that it was her interpretation that the royalty fee was a one-off fee.

**(iv) Adjustment of the accounting treatment**

- (I) Ms. JX Zhang realised that the royalty income was billed and settled after the Regulations on the Implementation of the Non-state Education Promotion Law of the People's Republic of China (2021 Revision)\* (中華人民共和國民辦教育促進法實施條例(2021修訂)) (“**Implementation Regulations**”) became effective on 1 September 2021.
- (II) Pursuant to section 45 of the Implemental Regulations, the Affected Schools were prohibited to conduct transactions with their related parties. Ms. JX Zhang was of the view that Tech Global should not carry out the royalty income related transactions and instructed Ms. Ying Gao in late April 2022 to adjust the gross amount paid by the Affected CIP Schools for the use of the CIP (i.e. royalty fees of RMB23 million plus the withholding taxes of RMB4 million) to “Other Payable to the Affected CIP Schools” at the consolidation level.
- (III) Tech Global recorded the relevant tax payments of approximately RMB4 million as tax expenses, however, it was of the view that the corporate income tax, value added tax and additions should be refunded to Tech Global having considered that Tech Global ultimately did not charge and receive the CIP Schools any royalty fee.

**(v) Conclusion**

- (I) The royalty income encapsulates the earning charged by Tech Global to the CIP Schools, which include the 23 Affected Schools along with two non-Affected Schools for the utilisation of the CIP.
- (II) Ms. Ying Gao stated that the duration of use rights was omitted in the CIP Contract because in her capacity as the drafter of the CIP Contracts. She deemed it unnecessary to stipulate a duration, with her belief based on the understanding that the CIP Schools had been granted unlimited access to the CIP.
- (III) Subsequently, the royalty income was reclassified as “Other Payable to Affected Schools”. This change was made when Ms. JX Zhang discovered that the royalty income was billed by Tech Global and settled by the CIP Schools after the enforcement of the Implementation Regulations on 1 September 2021 and expressed her concern about the potential non-compliance with the Implementation Regulations relating to the receipt of royalty income during the Period.

- (IV) Ms. Ying Gao in collaboration with Mr. Jian Zhang drafted the CIP Contracts in August 2021 and arranged for the CIP Schools to endorse the CIP Contracts in September 2021. To cover up her delay in the collection of royalty income, an action mandated by Ms. JX Zhang in February 2021, Ms. Ying Gao antedated the CIP Contracts to 1 March 2021. Further, she backdated the accounting entries that recorded the accrued royalty fees payable by the CIP Schools to March 2021, thus creating the impression that the royalty income transactions occurred in March 2021.
- (V) Considering that the CIP was neither registered with the Copyright Office nor transferred to Tech Global by March 2021, there exist doubts about the legitimacy and appropriateness of backdating the CIP Contracts and the related accounting entries.
- (VI) Notwithstanding the aforesaid, the transactions have been reversed and rectified. Tax expenses of RMB4 million arising from the royalty income were incurred by Tech Global, which in essence the financial loss suffered by the Group at this stage. In the event that the tax payments are fully refunded to Tech Global, the tax expenses will be completely reversed and the Group will no longer suffer any loss.

***Matter 3 – Acquisition of the investment property at a consideration of RMB40 million during the Period***

**(i) Fund flows and accounting entries**

- (I) In May 2018, Mr. Sherman Jen decided to purchase two properties from Dongguan Yitian Aocheng Real Estate Investment Co., Ltd.\* (東莞市益田奧城房地產投資有限公司) (“**Yitian Aocheng**”). Meanwhile, the Company had offshore liquidity needs in around May 2018 for its overseas acquisition plan.
- (II) In light of the above, Mr. Sherman Jen paid a sum of HK\$71,074,076.34 (equivalent to RMB58 million) to the Company on 29 May 2018 to meet the Company’s offshore liquidity needs. On the other hand, the Company arranged Dalian Maple Leaf International School\* (大連楓葉國際學校) (“**Dalian High School**”) to settle the balance of purchase price of the properties in a sum of RMB58 million (advance payment of RMB2 million was paid by Mr. Sherman Jen) to Yitian Aocheng on behalf of Mr. Sherman Jen on 29 May 2018 (“**Funding Arrangement**”).
- (III) Subsequently, Mr. Sherman Jen stated that he had intended to transfer or sell one of the properties (“**Property**”) to the Group to support the Group’s long-term development. Mr. Sherman Jen transferred the ownership of the Property to an indirect subsidiary of the Company, namely Dalian Maple Leaf Science and Education Company Limited\* (大連楓葉科教有限公司) (“**Dalian S&E**”) through Yitian Aocheng’s internal ownership transfer procedure.

- (IV) Mr. Sherman Jen would like to receive Hong Kong dollar for the settlement of the consideration, and as such, HK\$48,728,194 (equivalent to RMB40 million) was paid to Mr. Sherman Jen by the Company on behalf of Dalian S&E on 10 November 2021.
- (V) In light of the above, there was no payment made to the property developer during the Period and there was no prepayment for fixed assets or amount due to director recorded in the previous years' financial statements.
- (VI) On 29 August 2022, Dalian S&E paid RMB40 million to Dalian High School for the settlement of the amount due to Dalian High School recorded in the books of the relevant Group companies.
- (VII) On 30 August 2022, the Company offset the amount due from the Company to Dalian High School with the amount due from Dalian S&E to the Company. On 31 August 2022, Dalian S&E (subsequently known as Dalian Youwen Educational Technology Company Limited\* (大連優文教育科技有限公司) (“**Dalian Youwen**”) recorded the intergroup transactions accordingly.
- (VIII) Following the above, based on the accounting ledgers of the Company, there was an amount due to Dalian High School of HK\$22,345,882.34 and on the other hand, based on the accounting ledgers of Dalian High School, there was an amount due from the Company of RMB18 million.
- (IX) In light of the above intergroup outstanding sum, the Company settled an amount due from the Company to Dalian High School by a company in the PRC entrusted by Mr. Sherman Jen. On 30 August 2022, the Company paid HK\$22,345,882.34 to Mr. Sherman Jen and on 31 August 2022, Shenzhen Yuansi Education Service Company Limited\* (深圳源思教育服務有限公司) paid an amount of RMB18 million to Dalian High School.
- (X) Notwithstanding the above, it is noted that the exchange rate on 30 August 2022 was approximately 1.1359 and based on such exchange rate, RMB18 million was equivalent to approximate HK\$20,445,300 on 30 August 2022. Therefore, the Company had paid an excess amount of approximately HK\$1,900,582.34 to Mr. Sherman Jen for the settlement of RMB18 million.
- (XI) On 12 June 2023, Mr. Sherman Jen refunded the excess amount he received of HK\$1,900,582.34 to the Group.

**(ii) Disclosure of the related party transactions**

- (I) The Company admitted that the transfer of the Property from Mr. Sherman Jen to Dalian S&E was a related party transaction whose nature and amount should have been disclosed in the Company's financial statements pursuant to Hong Kong Accounting Standard 24 – Related Party Disclosures.

- (II) Pursuant to Chapter 14A of the Listing Rules, as Mr. Sherman Jen, being the Company's Chairman and Executive Director, is a connected person of the Company. The purchase of the Property from Mr. Sherman Jen shall constitute a connected transaction and is subject to disclosure requirement.

**(iii) Approval policies and procedures**

- (I) There was no board resolution approving such significant acquisition of the Property or adequate approval on OA system for contract signing and payment process.

**(iv) Market value of the Property**

- (I) Property valuation was not performed before Dalian S&E purchased the Property. During the Independent Investigation, Dalian S&E engaged Kroll to assess the market value of the Property as at 1 November 2021 (the "**Kroll Report**"). Based on the Kroll Report, the market value of the Property as at 1 November 2021 was RMB40,900,000, which was RMB900,000 or 2.25% higher than the purchase price of Dalian S&E.

**(v) Conclusion**

- (I) There was no payment made to the property developer during the Period because the Property was in fact transferred to Dalian S&E by Mr. Sherman Jen instead of the property developer.
- (II) Mr. Sherman Jen paid HK\$71 million (equivalent to RMB58 million) to the Company in Hong Kong and Dalian High School paid RMB58 million on behalf of Mr. Sherman Jen to the property developer for his purchase cost of properties in May 2018. No prepayments for fixed assets or amount due to director were recorded in the book or disclosed in the previous years' financial statements because the said fund transfers were neither prepayments for the Group's purchase of property nor loans from Mr. Sherman Jen. Instead, it was a Funding Arrangement between the Company and Dalian High School with the assistance of Mr. Sherman Jen.
- (III) In November 2021, Dalian S&E purchased the Property from Mr. Sherman Jen at a consideration of RMB40 million. Such consideration was settled by the Company on behalf of Dalian S&E to Mr. Sherman Jen in Hong Kong. However, no board resolution of the Company was passed to approve the purchase of the Property. In addition, the Company had failed to publish an announcement pursuant to the Listing Rules for the purchase of the Property from Mr. Sherman Jen as a connected transaction.
- (IV) Based on the Kroll Report, there is no evidence which suggests that the Group has suffered any financial loss in the purchase of the Property.



- (V) Similarly, in August 2022, the Company paid an amount of HK\$22,345,882.34 for the settlement of the amount due to Dalian High School of RMB18 million by a similar funding arrangement through Mr. Sherman Jen. Given Mr. Sherman Jen only provided a channel to facilitate the fund transfer from the Company to Dalian S&E and the amount paid to and received from Mr. Sherman Jen offset each other, the Company did not regard the said transfers from and to Mr. Sherman Jen as amount due to or from Mr. Sherman Jen, rather, they were recorded as intercompany transfers from the Company to Dalian High School. As discussed above, an excess amount of HK\$1,900,582.34 had been paid to Mr. Sherman Jen in such arrangement and that the said excess amount of HK\$1,900,582.34 was refunded in full by Mr. Sherman Jen to the Company on 12 June 2023.

***Action taken/response from the Company and personnel involved***

All in all, Mr. Sherman Jen was involved in the Relevant Matter 3 and Ms. JX Zhang and Mr. WQ Li discussed the acquisition of the Property.

As noted above, in August 2022, the Company paid an amount of HK\$22,345,882.34 for the settlement of the amount due to Dalian High School of RMB18 million by a similar funding arrangement through Mr. Sherman Jen. During the course of the audit of the consolidated financial statements of the Group for the year ended 31 August 2022, the auditor had discussed with the Company over the cumulated net exchange difference arising from such funding arrangements in or around May 2023, so Mr. Sherman Jen had refunded such difference in full in June 2023.

In addition to the information disclosed above, the Board would like to emphasize that in the future, the Company will not resort to the onshore/offshore funding arrangement in the sale or purchase of property(ies) with the related parties of the Company. In addition, the Company will comply with the relevant enhanced internal control procedures and policies in order to ensure compliance with the Listing Rules and relevant regulations. In such circumstances, the Company will comply with the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules if there is any such transaction.

***Matter 4 – Amount due from/to the Affected Schools***

**(i) Changes in the balance with related parties**

- (I) The breakdown shows that four categories, namely borrowings, capital expenditure, interest accruals on borrowings and reversal of the royalty income, accounted for RMB241 million of the increase in amount due to related parties during the Period.
- (II) The Company obtained a legal opinion from GD Guanghe dated 24 May 2022 on whether lending of idle money from the Affected Schools to others would constitute any non-compliance with the Implementation Regulations. GD Guanghe advised that it was not specified by the law whether money lending was a related party transaction and based on “Whatever is not prohibited by law is permitted” principal, lending of idle money from the Affected Schools to others should not be regarded as related party transaction.

(III) Notwithstanding the aforesaid, GD Guanghe further advised that, to be on the safe side, the Affected Schools should avoid lending money to related parties. GD Guanghe also advised that if the Affected Schools had lent money to related parties, as long as the parties had no deliberate intention to prejudice the interest of the Affected Schools and rectify measures had been taken, there was no risk of being penalised. Having considered the advice of GD Guanghe, the Company has taken measures to reverse the said transactions and restore the balances to the position before the transactions were being conducted.

**(ii) Conclusion**

- (I) Based on a review of the fluctuations in the balances of amounts due from/to the Affected Schools during the Period, the associated transactions between the Group and the Affected Schools appeared to be regular intercompany transactions and/or financial arrangements. These were typical among the Group and the Affected Schools, which used to be the subsidiaries of the Company until 1 September 2021.
- (II) In any case, in light of the effectiveness of the Implementation Regulations on 1 September 2021, related party transactions between the Group and the Affected Schools were forbidden. Upon considering the legal advice of GD Guanghe, the Company has undertaken measures to reverse the transactions that occurred between the Group and the Affected Schools during the Period, which mainly included borrowings from the Affected Schools and certain payments made by the Affected Schools on behalf the Group. Consequently, such transactions amounting to a sum of approximately RMB177 million, being an amount due to the Affected Schools, were reversed on or before 31 August 2022.

***Action taken/response from the Company***

In addition to the information disclosed in the Announcements, the Board would like to provide additional information in respect of Matter 4 that for so long as it is not legally permissible under the Implementation Regulations and/or its related rules and regulations, the Company will not conduct any related party transactions with the Affected School. In the event there is any future transactions to be undertaken by the Group with the Affected Schools, the Company will comply with the applicable requirements under Chapter 14 or Chapter 14A of the Listing Rules.

## Views of the IBC and Recommendations from the IBC

The IBC is of the view that, subject to the various limitations which the Independent Investigator encountered or observed as reported in the Investigation Report, the Independent Investigation has investigated into the Relevant Matters to the extent that is practicable and that the content and the findings of the Independent Investigation are reasonable and acceptable. Nothing was brought to the attention of the IBC 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 shareholders and potential investors of the Company and/or damage market confidence. Instead, the Investigation Report contained extensive discussions on background and matters surrounding the internal control issues and weaknesses of the Group, which resulted in or permitted the occurrence of the Relevant Matters. Having considered the findings and recommendations set forth in the Investigation Report, the IBC has recommended the Board to adopt the findings of the Independent Investigation and has suggested a list of major remedial actions (collectively the “**Recommendations**”) to the Board for actions to be taken as soon as reasonably practicable to prevent recurrence of events similar to the Relevant Matters.

### Remedial measures

The following table summarised the remedial actions which have been taken or will be taken by the Company in order to improve the internal control of the Group and mitigate the recurrence of events similar to the Relevant Matters.

<b>Remedial Measures Taken</b>	<b>Particulars</b>
Adopted enhanced internal control measures	For details of the internal control assessment, please refer to the disclosures set forth in the section headed “Resumption Guidance 4: conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet the obligations under the Listing Rules” in this announcement.
Obtained legal opinions regarding relevant transactions	The Company has obtained legal opinions from Beijing Jingtian & Gongcheng Law Firm (Chengdu) (“ <b>Jingtian</b> ”) regarding the related party transactions during the Period. Jingtian stated that although there is a risk that relevant officers of the entities participating in related party transactions may be subject to administrative penalties for violating the regulations on related transactions, the likelihood of such penalties is low, given the specific circumstances.

## Remedial Measures Taken

## Particulars

The Company has also obtained legal opinions from Jingtian regarding the funding arrangement of Matter 3, which advised that the two events do not constitute violations of foreign exchange management regulations.

Published relevant announcements pursuant to the Listing Rule

The Company has consulted its advisor on all material transactions of the Group that it had identified during the Period and the legal advisor confirmed that the acquisition of property constituted a connected transaction subject to disclosure requirements. Apart from the abovementioned transaction and subject to the disclosure in the outstanding interim/annual reports up to the date of this submission, the legal advisor of the Company has concluded that no additional disclosures or clarifications are required.

The Company has published the announcement in relation to the connected transaction – acquisition of property on 6 July 2023.

Conducted/to conduct training on the compliance with the Listing Rules, applicable laws and regulations and adherence to the internal control systems

The Company has carried out training in relation to the Implementation Regulation and has engaged legal advisors which are responsible for updating the Company on the latest legal and regulatory developments and to provide timely professional advice and minimize the risk of non-compliance.

In addition, the Company will arrange annual training sessions for its Directors, senior management, and staff from the operation and finance departments. These sessions aim to enhance their familiarity with the Listing Rules, applicable laws and regulations, and compliance with internal control procedures.

Last but not least, the Company is committed to fostering a culture that emphasizes legal and regulatory compliance and adherence to internal control systems. To achieve this, we will establish a robust compliance and ethics program, which includes regular employee training, clear communication of expectations, and a system of continuous monitoring and evaluation as recommended by the IC Report. This culture of integrity, accountability, and open communication demonstrates our unwavering commitment to upholding the highest standards of corporate governance and ethical conduct.

Remedial Measures Taken	Particulars
Taken actions against individual staff involved in the Relevant Matters	<p>While it has been noted that no current or former Directors or senior management were involved in fraudulent or dishonest activities related to the Relevant Matters, the Board believes it is essential for relevant directors and senior management to stay informed about the pertinent regulations, listing rules, and best practices in corporate governance. As a result, the Board:</p> <ul style="list-style-type: none"> <li data-bbox="608 534 1449 906">(i) issued a letter to Ms. Jingxia Zhang, the Executive Director and Co-CFO of the Company, reminding her of the importance of adhering to relevant rules and regulations as a director of the Company and requiring her to attend training on regulatory and legal topics, as well as Listing Rule compliance. This training will cover, but not be limited to, Chapter 14 Notifiable Transactions, Chapter 14A Connected Transactions, relevant sections addressing conflicts of interest in the Listing Rule, and the corporate governance code;</li> <li data-bbox="608 944 1449 1125">(ii) is minded to direct relevant management staff (including but not limited to Mr. Sherman Jen and Ms. Ying Gao) to attend training designed to strengthen their knowledge of applicable laws, regulations, and government policies; and</li> <li data-bbox="608 1164 1398 1193">(iii) is minded to issue a warning letter to Ms. Ying Gao.</li> </ul>

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 1.

***Resumption Guidance 2: publish all outstanding financial results required under the Listing Rules and address any audit modifications***

Since the suspension of trading, the Company has published all its outstanding financial results. On 29 September 2023, the Company has published the interim financial results for the six months ended 28 February 2022 and the audited financial results for the year ended 31 August 2022. On 8 October 2023, the Company has published the interim financial results for the six months ended 28 February 2023.

The Company's external auditor, ZHONGHUI ANDA CPA Limited (中匯安達會計師事務所有限公司) (“**Zhonghui**”), has issued an unmodified opinion on the Group's consolidated financial statements for the year ended 31 August 2022 with an emphasis of matter paragraph regarding the material uncertainty related to going concern on the consolidated financial statements. For details of the measures taken by the Company to enhance liquidity and financial positions of the Company, please refer to the section headed “Resumption Guidance 5: demonstrate the Company's compliance with Rule 13.24 of the Listing Rules” in this announcement.

Reference is made to the announcement of the Company dated 16 May 2022 in relation to a letter from SHINEWING, on 13 May 2022 regarding the Relevant Matters. Zhonghui has obtained the Investigation Report issued by RSM, and has taken the following steps in the audit of the consolidated financial statements of the Group for the year ended 31 August 2022 in respect of the Relevant Matters:

- (a) discussed with RSM over their methodology in carrying out the forensic investigation;
- (b) discussed with RSM over the findings of the Investigation Report;
- (c) obtained all the annexure reviewed by RSM (the “**Information**”);
- (d) taken into account all relevant facts and circumstances, including but not limited to the findings in the Investigation Report;
- (e) taken into account the Stock Exchange’s observations and queries;
- (f) taken into account the accounting treatments proposed by the Company in each of the Relevant Matters; and
- (g) performed its own audit procedures including additional procedures to obtain sufficient audit evidence for each of the Relevant Matters.

The extra audit procedures performed by Zhonghui for each of the Relevant Matters (in addition to the Information obtained/discussed with RSM as stated above) included:



## Relevant Matters

Matter 1 The increase in the percentage level of the management fee received from school canteens operated by third party service providers for the Period. Management fee of RMB32 million was received by the Group during the Period. Certain of the transactions were settled by the Affected Schools.

## Additional procedures by Zhonghui

Zhonghui had (i) obtained and reviewed the PRC legal opinion issued by Beijing Jingtian Gongcheng (Chengdu) Law Firm to confirm its legality and validity for the canteen subcontractors to operate the school canteens under the relevant laws and regulations in the circumstances; (ii) issued independent written audit confirmations to the canteen subcontractors to confirm the transactions for the two years ended 31 August 2021 and 2022 and balances as of 31 August 2021 and 2022; (iii) requested and interviewed the canteen subcontractors that RSM had interviewed to confirm the canteen subcontractors have the power and rights to control the bank accounts by themselves; (iv) obtained the “Maple Leaf [2016] No. 006 decision” to confirm the authorities and job duties of relevant management; (v) reviewed the internal control report in relation to the Matter 1 and assessed the risks on the findings of the internal control Report; and (vi) arranged meetings with the Board and considered the recommendations from the IBC to the Board to understand the findings on the Investigation Report (the “**Additional Procedures for Matter 1**”).

Based on the Information and other audit evidences obtained and the Additional Procedures for Matter 1 that Zhonghui had performed, nothing has come to the attention of Zhonghui that Matter 1 would significantly affect the review conclusion of the Company’s consolidated financial statements for the period ended 28 February 2022 and the audit opinion of the Company’s consolidated financial statements for the year ended 31 August 2022.

## Relevant Matters

Matter 2 Royalty income of RMB23 million from the Affected Schools for the Intellectual Property Use Rights was charged for the Period. There was no sufficient and reasonable basis for determining the royalty income nor duration for the right-of-use asset specified in the relevant contract.

## Additional procedures by Zhonghui

Zhonghui had (i) interviewed the Board and relevant financial controller; and (ii) carried out extended audit procedures in journal entries testing and to review all journal entries made by the financial controller for the period ended 28 February 2022 and for the year ended 31 August 2022; and (iii) arranged meetings with the Board and considered the recommendations from the IBC to the Board to understand the findings on the Investigation Report (the “**Additional Procedures for Matter 2**”).

Based on the confirmation of the February 2021 meeting by the co-chief financial officer and executive director of the Company at the material time, nothing has come to Zhonghui’s attention that Matter 2 was a result of management override of control. There is also no financial implication as to the consolidated financial statements of the Company as to Matter 2 for the period ended 28 February 2022 and year ended 31 August 2022 as the relevant financial recognition as well as the subsequent “reversal of closing account” falls within the same period, i.e. (i) neither entries affect the financial period ended 28 February 2022, (ii) the entries made in March 2022 was subsequently reversed in August 2022, which falls within the same year ended 31 August 2022 (the “**Zhonghui Findings for Matter 2**”).

Based on the Information and other audit evidences obtained, the Additional Procedures for Matter 2 that Zhonghui had performed; as well as the Zhonghui Findings for Matter 2, nothing has come to the attention of Zhonghui that Matter 2 would significantly affect the review conclusion of the Company’s consolidated financial statements for the period ended 28 February 2022 and the audit opinion of the Company’s consolidated financial statements for the year ended 31 August 2022.

<b>Relevant Matters</b>	<b>Additional procedures by Zhonghui</b>
Matter 3	Lack of proper records in respect of the acquisition of an investment property at a consideration of RMB40 million during the Period and in the previous years.
	Based on the Information and other audit evidences obtained, nothing has come to the attention of Zhonghui that Matter 3 would significantly affect the review conclusion of the Company's consolidated financial statements for the period ended 28 February 2022 and the audit opinion of the Company's consolidated financial statements for the year ended 31 August 2022.
Matter 4	A large number of fund movements during the Period between the Affected Schools and the Company as well as tuition fees received and capital expenditure paid on behalf of the Affected Schools.
	Based on the Information and other audit evidences obtained, nothing has come to the attention of Zhonghui that Matter 4 would significantly affect the review conclusion of the Company's consolidated financial statements for the period ended 28 February 2022 and the audit opinion of the Company's consolidated financial statements for the year ended 31 August 2022.

In view of the above, the Company has published all outstanding financial results required under the Listing Rules and considered that Relevant Matters identified by SHINEWING have been satisfactorily resolved. The Board is of the view that the Company has adequately fulfilled Resumption Guidance 2.

***Resumption Guidance 3: 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***

As disclosed in the announcement of the Company dated 4 July 2023, the Board concurs with the IBC that the content and findings of the Independent Investigation are reasonable and acceptable and 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 shareholders and potential investors of the Company and/or damage market confidence. In light of the above conclusion, the Board is not aware of any reasonable regulatory concern regarding the integrity of the management or any individuals with substantial influence over the Company's management and operations, which could potentially put investors at risk and undermine market confidence.

In addition, Directors have attended induction courses on Listing Rules and applicable rules and regulations upon their appointment. Since the Suspension, the Company has shored up the number of trainings provided to Directors and updates on changes to the Listing Rules and related guidance were arranged. It is therefore understood that the Directors have possessed the necessary skill and the standard of competence to discharge their duties as Directors, including but not limited to ensuring compliance with the Listing Rules and other applicable laws and regulations by the Company.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 3.

***Resumption Guidance 4: 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***

The Company appointed RSM Consulting (Hong Kong) Limited (“**IC Consultant**”) to conduct an independent review of the existing internal controls and procedures of the Company and make recommendations of remedial measures (“**IC Review**”). The result of the IC review was published on 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 recommended remedial measures for the deficiencies identified during the course of the First Review. The Company has adopted the recommendations of the IC consultant to enhance the internal control procedures.

A 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**”) had been conducted by the IC Consultant in order to verify and ensure that the Company has put in place adequate internal control and procedures to comply with the Listing Rules.

The IC Consultant has issued a report in respect of the findings of the IC Review on 20 June 2023 and concluded that the Group has implemented recommended remedial measures to rectify the deficiencies identified in the First Review. The IC Consultant is of the view that no material deficiencies in the Company’s internal controls and procedures as a whole were noted in the Follow-up Review and the IC Consultant is of the view that nothing has come to its attention in relation to the adequacy in the implementation of internal control procedures to meet its obligations under the Listing Rules.

### **Key findings and remedial measures**

Having considered the internal control report and the recommendations therein, the Board is of the view that the Group has had completed the implementation of the remedial measures recommended by the IC consultant. The Group’s enhanced internal control procedures are sufficient to discharge the Company’s obligations under the Listing Rules.

As disclosed in the announcement in relation to the key findings of the IC review report on 4 July 2023, the remedial actions implemented to rectify the internal control weakness in relation to the Relevant Matters included:

Relevant Matters	Key Deficiencies	Remedial Measures
Matter 1	<p>No written policy has been established for the agreement management process and pricing procedures of canteen management fees. Deficiencies regarding the agreement approval process and management fee calculation process were noted.</p> <p>The signing arrangement of the Catering Company and Canteen Cooperation Agreement and Catering Company and Canteen Supplementary Cooperation Agreement raised concern as to whether proper authorisation from the counterparties had been properly and timely obtained prior to the execution of the relevant agreements, which in turn may heighten the risk of the legality, validity and enforceability of the agreements concerned being prone to challenge.</p> <p>There is no written policy to guide the authorization and sign-off by the staff on behalf of the contractors or vendors.</p>	<p>The Company has established the Agreement Management Manual to regulate the contract management procedures, which includes the requirement to examine the contracting capacity of the counterparty, the contract drafting process, the contract approval process and the contract retention and filing management.</p> <p>The Agreement Management Manual stipulates that the personnel handling the contract should complete the contract approval process in the OA system in accordance with the company's contract approval process. We obtained a template of contract signing process approval form in the OA system and confirmed that contract signing requires the approval of the following departments or personnel: (1) Department Head; (2) Legal Department; (3) School District Finance/ Company Finance/ Group Finance Department; (4) School Principal/ Company Manager/ CFO; (5) If the contract amount is higher than RMB200,000, it needs to be approved by the Group CFO to ensure the segregation of duties in the contract preparation and approval process.</p> <p>In addition, the Company has established the Management Fee Pricing Policy to include the charging standards of management fees. We have also obtained the latest Cooperation Agreements signed between the catering company and the contractors for the academic year 2021/22 and 2022/23 and related approval records, confirming that the latest management fee has been determined according to the charging standards stated in the Management Fee Pricing Policy and agreed by both parties in written.</p>

**Relevant Matters****Key Deficiencies****Remedial Measures**

In addition, the Company has established a “Catering Management Income Recognition Policy and Reconciliation Process “ to regulate the monthly reconciliation process between the catering company and the contractor for the recognition of catering management fee revenue, as follows:

- (1) The contractor sends the signed and confirmed monthly turnover statement of the canteen to the catering company’s accountant via email at the beginning of each month;
- (2) The accountant of the catering company, based on the monthly turnover statement provided by the contractor, performs a step-by-step reconciliation of:
  - i) Reconciliation of Charter Meal Scheme’s turnover: through the OA process, the schools with Charter Meal Scheme declare the amount of charter meal fees for the previous month at the beginning of each month, and the Catering Accountant reconciles the charter meal fees reported by each school with the contractor’s statement.
  - ii) Check whether the monthly turnover of the canteen in the OneCard system is consistent with the contractor’s statement through the OneCard system query.
- (3) After verification, the management fee will be accrued and a summary table will be prepared and signed by the preparer and the reviewer as one of the original attachments to the accounting voucher. If there is any error, it will be checked again with the canteen contractor until both parties confirm that it is correct.



Relevant Matters	Key Deficiencies	Remedial Measures
Matter 2	<p>There was no written approval record unanimously agreed by the Company’s chairman or senior management before signing the “Copyright Transfer Contract”(《作品著作权轉讓合同》) with Tech Global Investment Ltd.</p> <p>There was no written approval record for the “Characteristic Intellectual Property Use Right Authorisation Contract” of 24 subsidiaries.</p> <p>Failure to accurately understand and respond to the latest policies issued by the government, i.e. the Implementation Regulation.</p>	<p>(4) The catering company’s accountant sends monthly bills by email to each contractor, and the contractor pays the management fee to the catering company accordingly.</p> <p>The Company has revised the Copyright Management Policy to clarify that the transfer of copyright is subject to the signing of the Copyright Transfer Contract. The specific matters are handled by the Intellectual Property Office, and the transfer must be approved by CFO.</p> <p>In addition, the Company has also established the “Approval Procedures for Intellectual Property Use Right Authorisation Contract of Maple Leaf Education Group”, which includes requirement of the contract drafting for the authorization of Intellectual Property Use Right Authorisation Contract, the determination of fees, the signing of contracts and the contract execution.</p> <p>The Company has assigned the head of the Intellectual Property Office to monitor and identify government policies. If there are significant legal policy changes, arrangements will be made for specific matters, and external consultants will be hired to provide training and guidance to management and related personnel.</p> <p>The Company has conducted trainings on intellectual property and legal matters for the management of the different campuses, covering topics such as declaration and maintenance of intellectual property rights and legal issues related to the implementation of the Law on the Promotion of Private Education.</p>

Relevant Matters	Key Deficiencies	Remedial Measures
Matter 3	<p>No documentation for the approval of acquisition of property was maintained and it was not submitted to the independent board committee, which consists only of independent non-executive directors who do not have a material interest in the transaction, for discussion and approval. In addition, the Company did not seek opinion from an independent financial adviser prior to acquisition to ensure the acquisition being in the Company's interest.</p>	<p>The Company has updated the Related Party Transaction Management Policy to include the procedures of establishing and maintaining a list of related parties and related parties transactions as well as the contract approval process for the related parties transactions.</p> <p>The company will update a list of related parties and related transactions constantly, which will be regularly reviewed by the Director of the Internal Audit Centre on a half-yearly basis.</p> <p>The Group has established the Corporate Governance Manual, which includes the definition of connected transactions, and it also specifies that the listed issuer's group must enter into a written agreement for a connected transaction, and comply with the relevant announcement, independent shareholders' approval, circular and annual reporting requirements. It is understood that the group did not have any new connected transactions during the follow-up review period, thus no relevant process documents can be provided.</p>
Matter 4	<p>No documentation has been maintained in relation to the mutual agreement between the schools and subsidiaries as well as approval for these transactions.</p>	<p>The Company has updated the Related Party Transaction Management Policy to include the procedures of establishing and maintaining a list of related parties and related parties transactions as well as the contract approval process for the related parties transactions. In the event of borrowings between the schools, borrowing agreements will be signed in a timely manner. In addition, documentation in relation to the mutual agreement between the schools and subsidiaries as well as approval records for borrowings, expenses paid on behalf and income receipt on behalf, etc., between the schools and subsidiaries will be maintained.</p>

In view of the above, the Board considers that the Company has adequately fulfilled Resumption Guidance 4.

## ***Resumption Guidance 5: demonstrate the Company's compliance with Rule 13.24 of the Listing Rules***

### **Sufficient level of operations**

The Group's operation has continued its normal business operations notwithstanding the Suspension. The Group continues its primary business to operate international schools in the PRC and Southeast Asia. The Group generates revenue from the operation of international schools in the PRC, Canada, Malaysia and Singapore.

As at 28 February 2023, the Group had total 33 schools of which 23 are in the PRC, one in Canada, four in Malaysia and five in Singapore, comprising 10 high schools, 2 middle schools, 3 elementary schools, 15 preschools and 3 foreign national schools, with a total of 10,209 students enrolled.

The Group's business has upside potentials with an annual growth rate of 10%-20% in student enrolment in the coming two to three years and a total capacity of around 19,825 students. Moreover, the Group is taking measures to optimise its operating structure to mitigate the impact of the Implementation Regulations, among others, transferring current students from high schools which are under the same operating licences with private schools providing compulsory education and/or not-for-profit preschools in the PRC to high schools that have their own operating licences in the PRC. Up to the date of this announcement, Xi'an Maple Leaf School\* (西咸新區空港楓葉學校) ("**Xi'an School**") was re-consolidated with the Group as at 10 August 2022 (the "**Date of re-consolidation**"), and the financial results and the financial position of the School were re-consolidated since the Date of re-consolidation and as at the Date of re-consolidation, respectively.

The Group generates sufficient revenue and gross profit from its principal business to cover the corporate expenses of the Group. During the year ended 31 August 2022, the Group has generated a revenue of approximately RMB989.8 million, a gross profit of approximately RMB426.3 million and an adjusted net profit of approximately RMB45.5 million<sup>1</sup>. For the six months ended 28 February 2023, the Group has generated a revenue of approximately RMB574.9 million a gross profit of approximately RMB241.2 million and an adjusted net profit of approximately RMB81.3 million<sup>2</sup>.

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<sup>1</sup> The adjusted net profit for the year ended 31 August 2022 was calculated as profit for the year from continuing operations, excluding the impact from (i) amortisation of other intangible assets and depreciation of properties arising from acquisition; (ii) change in fair value of the Bonds; (iii) share-based payments; (iv) change in fair value of contingent consideration; (v) dividend income from financial assets at fair value through profit or loss; (vi) gain on disposal of investment property; (vii) gain on consolidation of Xi'an School and (viii) compensation payable to Hong Kong Zhixin Financial News Agency Ltd ("**Zhixin**").

<sup>2</sup> The adjusted net profit for the six months ended 28 February 2023 was calculated as profit for the year from continuing operations, excluding the impact from (i) amortisation of other intangible assets and depreciation of properties arising from acquisition; (ii) change in fair value of the Bonds; (iii) share-based payments; and (iv) dividend income from financial assets at fair value through profit or loss.

With regards to the source of funding, the Group relies on a combination of funds generated from its operations, bank loans and other funds raised from the capital markets. The Company has already undertaken a number of plans and measures to improve the Group's liquidity and financial position, including but not limited to: (i) as disclosed in the announcement of the Company dated 12 September 2023, on 11 September 2023, the convertible bondholders passed resolutions, among other matters (1) waiving any and all Events of Default relating to the non-payment of the 25% Second Mandatory Redemption in sum of US\$31,250,000.00 and the Relevant Event; and (2) rescheduling the payment of the 25% Second Mandatory Redemption to 27 January 2024; (ii) the Group raised a new borrowing of US\$143,000,000 (the "USD Loan") on 22 December 2022 (equivalent to RMB1,036,750,000) to replace the current loan facilities which loan covenants were breached; (iii) negotiating a new bank loan of SGD300,000,000 (equivalent to RMB1,442,000,000) (the "New Loan") to replace the USD Loan amounting to US\$143,000,000 and the Bonds with aggregate outstanding principal amount of US\$75,000,000; (iv) in discussions with local government departments to comply with the Implementation Regulations; and (v) adjusting the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations.

The Group expects to maintain a growth level of revenue and net profit, with a low financial risk to safeguard the Group's continued business and operations.

### **Sufficient assets**

The Group has sufficient assets to support the operation that generates sufficient revenue and profits. As at 28 February 2023, the Group has a total asset of RMB5,968.3 million and net asset of RMB1,483.6 million. The Group own all the land use rights to the campuses in Dalian, Wuhan, Tianjin, Chongqing, Haikou and Luzhou, China and in Kula Lumpur, Malaysia, and in Singapore which cover all of the schools in operation in these cities and all the school premises in those campuses. The Group has an experienced management team and staff of over 1,917 employees as at 28 February 2023. The Group's campuses have capacity to handle substantially more students than the existing student body without the need for significant additional capital expenditure as the current utilization rate stands at around 51.5% which indicates a total capacity of around 19,825 students can be accommodated.

The Board is of the view that the Group has a viable and sustainable business with sufficient level of business operations and has assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules and warrant the continued listing of the shares of the Company on the Stock Exchange.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 5.

***Resumption Guidance 6: announce all material information for the Company's shareholders and investors to appraise its position***

Up to the date of this announcement, the Company has disclosed material information and the latest developments of the Company to its Shareholders, the market and the public.

In view of the above, the Board is of the view that the Company has adequately fulfilled Resumption Guidance 6.

**RESUMPTION 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. An application has been made by the Company to the Stock Exchange for the resumption of 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 with effect from 9:00 a.m. on 2 November 2023.

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

Hong Kong, 1 November 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, Ms. Wai Fong Wong and Mr. King Pak Lau as independent non-executive directors.*

\* *For identification purposes only*