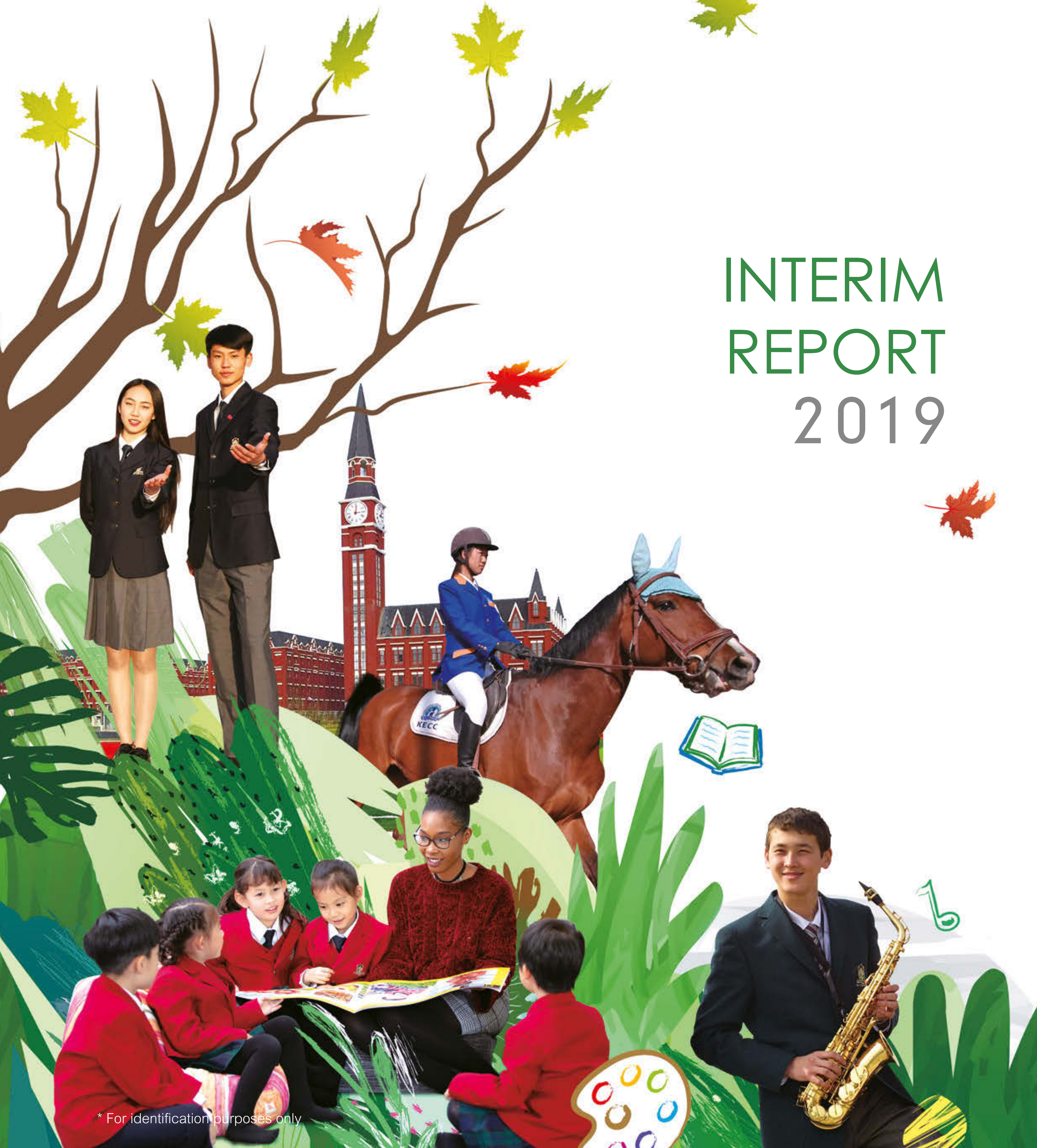
China Maple Leaf Educational Systems Limited
中國楓葉教育集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1317



INTERIM REPORT 2019

* For identification purposes only

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CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED
2019 INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shu Liang Sherman Jen *(Chairman and Chief Executive Officer)*
Ms. Jingxia Zhang *(Chief Financial Officer)*
Mr. James William Beeke

Non-executive Director

Mr. Howard Robert Balloch *(Vice Chairman)*

Independent Non-executive Directors

Mr. Peter Humphrey Owen
Mr. Xiaodan Mei
Mr. Lap Tat Arthur Wong

AUDIT COMMITTEE

Mr. Lap Tat Arthur Wong *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Xiaodan Mei

REMUNERATION COMMITTEE

Mr. Peter Humphrey Owen *(Chairman)*
Mr. Xiaodan Mei
Mr. Howard Robert Balloch

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Shu Liang Sherman Jen *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Xiaodan Mei

COMPANY SECRETARY

Ms. Wan Mun Yee, Sabine

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang
Ms. Wan Mun Yee, Sabine

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law
Herbert Smith Freehills

As to PRC law
Tian Yuan Law Firm

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK CODE

1317

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CORPORATE PROFILE

China Maple Leaf Educational Systems Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, collectively the "**Group**") is a leading international school operator, from preschool to grade 12 ("**K-12**") education, in the People's Republic of China ("**China**" or "**PRC**") as measured by student enrolment.

Founded in 1995, the Group's headquarters is located at Dalian, Liaoning Province, China. With over twenty four years' of experience in operating international schools in China, the Group provides high quality K-12 education by combining the merits of both Western and Chinese educational philosophies in 23 cities in China, British Columbia ("**BC**"), Canada and Australia, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Yiwu, Jingzhou, Pinghu, Xi'an, Huai'an, Yancheng, Huzhou, Weifang, Haikou, Shenzhen, Xiangyang, Kamloops, Richmond and Adelaide.

As at 31 March 2019, the Group had 41,380 students, approximately 3,253 teachers and 96 schools comprising 16 high schools (for students in grade 10 to 12), 24 middle schools (for students in grade 7 to 9), 25 elementary schools (for students in grade 1 to 6), 28 preschools and 3 foreign national schools in China, Canada and Australia. Over 90% of our students are local Chinese mainly from middle-class families and the rest are from other countries.

Our high schools are certified by both the Ministry of Education of BC, Canada and Chinese educational authorities, where we offer a bilingual and dual-curriculum to our students. Our high school graduates receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, Maple Leaf Educational Systems has attained AdvancED Corporate Systems accreditation and all of its high schools, middle schools, elementary schools and foreign national schools are accredited by AdvancED, the largest school accreditation agency in the United States of America. Over the past three years, more than 95% of our high school graduates have received offers from overseas universities and colleges, and early offers received to date indicate that this year's numbers will again meet or exceed these results. We are also encouraged that of the offers received to date by our students, over 60% are from the top 100 universities in the world, based on Maple Leaf University Rankings, including 106 students who have received offers from world's top 10 universities, including University College London and Imperial College London.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Six months ended 28 February 2019 RMB'000 (unaudited)	28 February 2018 RMB'000 (unaudited)	Change RMB'000	Percentage Change
Revenue	**744,396**	631,829	+112,567	+17.8%
Gross profit	**326,786**	294,536	+32,250	+10.9%
Profit for the period	**281,214**	238,359	+42,855	+18.0%
Adjusted net profit (Note)	**304,357**	243,538	+60,819	+25.0%
Gross profit margin	**43.9%**	46.6%	-2.7pp	-5.8%
Adjusted net profit margin	**40.9%**	38.5%	+2.4pp	+6.2%
Earnings per share				
Basic (RMB cents)	**9.64**	8.55	+1.09	+12.7%
Diluted (RMB cents)	**9.64**	8.53	+1.11	+13.0%
Interim dividend per share (HK$ cents)	**4.70**	4.00	+0.7	+17.5%

Note:

a. *Adjusted net profit is derived from the profit for the period after adjusting for non-recurring items which are not indicative of the Group's operating performance, including share-based payments.*

b. *Government grants are no longer a non-recurring item and were excluded from the adjusted items for the six months ended 28 February 2019, hence, the comparative figure for the six months ended 28 February 2018 was restated for consistent presentation.*

	As at the end of 28 February 2019	28 February 2018	Change	Percentage Change
Total number of students enrolled	**36,099**	28,321	+7,778	+27.5%
Total capacity	**57,300**	48,840	+8,460	+17.3%
Overall utilization	**63.0%**	58.0%	+5.0%	+8.6%

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Maple Leaf Educational Systems Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 2 to 45, which comprise the condensed consolidated statement of financial position as of 28 February 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accountings Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 April 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 28 February 2019

	NOTES	**Six months ended 28 February 2019 RMB'000 (Unaudited)**	Six months ended 28 February 2018 RMB'000 (Unaudited)
Revenue	3	**744,396**	631,829
Cost of revenue		**(417,610)**	(337,293)
Gross profit		**326,786**	294,536
Investment and other income	4	**34,659**	23,033
Other gains and losses	5	**56,953**	22,077
Marketing expenses		**(13,993)**	(13,131)
Administrative expenses		**(102,750)**	(73,758)
Finance costs		**(5,581)**	(4,930)
Profit before taxation		**296,074**	247,827
Taxation	6	**(14,860)**	(9,468)
Profit for the period	7	**281,214**	238,359
Other comprehensive expense for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(2,417)**	(5,329)
Total comprehensive income for the period		**278,797**	233,030
Profit for the period attributable to owners of the Company		**284,270**	236,489
(Loss) profit for the period attributable to non-controlling interest		**(3,056)**	1,870
		281,214	238,359
Total comprehensive income attributable to:			
Owners of the Company		**281,853**	231,160
Non-controlling interest		**(3,056)**	1,870
		278,797	233,030
EARNINGS PER SHARE			
Basic (RMB cents)	9	**9.64**	8.55
Diluted (RMB cents)	9	**9.64**	8.53

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2019

	NOTES	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	10	**2,192,618**	2,105,782
Prepaid lease payments		**204,722**	207,628
Investment properties		**338,727**	342,936
Goodwill	11	**240,278**	165,968
Other intangible assets		**44,824**	38,826
Prepayment for purchase of property and equipment		**–**	10,159
Books for lease		**2,129**	2,608
Pledged bank deposits		**132,000**	132,000
		3,155,298	3,005,907
Current Assets			
Inventories		**12,653**	16,977
Deposit, prepayments and other receivables	12	**119,051**	76,782
Available-for-sale investments		**–**	246,000
Held for trading investments		**–**	116,770
Financial assets at fair value through profit or loss		**286,310**	–
Pledged bank deposits		**–**	113,000
Restricted cash	13	**179,822**	–
Bank balances and cash	13	**1,486,711**	2,220,694
		2,084,547	2,790,223
Current Liabilities			
Contract liabilities	14	**676,677**	–
Refund liabilities	15	**580**	–
Deferred revenue	14	**–**	1,168,873
Other payables and accrued expenses	16	**261,269**	399,452
Income tax payable		**75,336**	73,866
Borrowings	17	**119,372**	224,537
		1,133,234	1,866,728
Net Current Assets		**951,313**	923,495
Total Assets Less Current Liabilities		**4,106,611**	3,929,402

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2019

	NOTE	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Capital And Reserves			
Share capital		**9,255**	9,255
Reserves		**3,817,757**	3,642,279
Equity attributable to owners of the Company		**3,827,012**	3,651,534
Non-controlling interest		**37,239**	40,295
Total Equity		**3,864,251**	3,691,829
Non-Current Liabilities			
Deferred tax liabilities		**39,360**	30,772
Borrowings	17	**203,000**	206,801
		242,360	237,573
		4,106,611	3,929,402

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Shares held for restricted share award scheme RMB'000 (note a)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note b)	Share-based payment reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 August 2017 (audited)	8,549	747,724	–	(42,717)	(2,850)	205,383	7,610	1,505,488	2,429,187	72,331	2,501,518
Profit for the year	–	–	–	–	–	–	–	236,489	236,489	1,870	238,359
Other comprehensive income for the year	–	–	–	–	(5,329)	–	–	–	(5,329)	–	(5,329)
Total comprehensive income for the year	–	–	–	–	(5,329)	–	–	236,489	231,160	1,870	233,030
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	47,939	47,939
Acquisition of non-controlling interests (Note c)	–	(2,040)	–	–	–	–	–	–	(2,040)	(75,548)	(77,588)
Issue of new shares	705	813,099	–	–	–	–	–	–	813,804	–	813,804
Share-based payments	–	–	–	–	–	–	5,179	–	5,179	–	5,179
Dividends recognized as distribution	–	(104,423)	–	–	–	–	–	–	(104,423)	–	(104,423)
Dividends distributed to the restricted share award scheme	–	1,407	–	–	–	–	–	–	1,407	–	1,407
Exercise of share options	1	551	–	–	–	–	(179)	–	373	–	373
Shares vested under restricted share award scheme	–	–	–	266	–	–	(1,059)	793	–	–	–
At 28 February 2018 (unaudited)	**9,255**	**1,456,318**	**–**	**(42,451)**	**(8,179)**	**205,383**	**11,551**	**1,742,770**	**3,374,647**	**46,592**	**3,421,239**
At 31 August 2018 (audited)	**9,255**	**1,362,907**	**(2,040)**	**(29,039)**	**5,640**	**225,569**	**16,733**	**2,062,509**	**3,651,534**	**40,295**	**3,691,829**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**284,270**	**284,270**	**(3,056)**	**281,214**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(2,417)**	**–**	**–**	**–**	**(2,417)**	**–**	**(2,417)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(2,417)**	**–**	**–**	**284,270**	**281,853**	**(3,056)**	**278,797**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**23,143**	**–**	**23,143**	**–**	**23,143**
Dividends recognized as distribution (Note 8)	**–**	**(130,659)**	**–**	**–**	**–**	**–**	**–**	**–**	**(130,659)**	**–**	**(130,659)**
Dividends distributed to the restricted share award scheme	**–**	**1,141**	**–**	**–**	**–**	**–**	**–**	**–**	**1,141**	**–**	**1,141**
Shares vested under restricted share award scheme	**–**	**–**	**–**	**30**	**–**	**–**	**(57)**	**27**	**–**	**–**	**–**
At 28 February 2019 (unaudited)	**9,255**	**1,233,389**	**(2,040)**	**(29,009)**	**3,223**	**225,569**	**39,819**	**2,346,806**	**3,827,012**	**37,239**	**3,864,251**

Note:

a: *Shares held for restricted share award scheme is comprised of shares purchased from open market that are to be used for the share award scheme approved by the directors of the Company on 10 November 2014 (the "**Share Award Scheme**").*

b: *Pursuant to the relevant laws in the People's Republic of China (the "**PRC**"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of the directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liability companies and (ii) the development fund of schools.*

(i) *For PRC subsidiaries with limited liability, each subsidiary is required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year- end until the balance reaches 50% of the relevant PRC entity's registered capital.*

(ii) *According to the relevant PRC laws and regulations, a private school that does not require for reasonable return is required to appropriate to development fund of not less than 25% of the annual increase in net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.*

c: *On 24 November 2017, the Group acquired the remaining 47.6% of the issued share capital of Hainan Maple Leaf Science and Education Group Co., Ltd. ("**Hainan Science**") for a cash consideration of RMB56,166,000 and a waiver of a debt payable of RMB21,422,000 to the Group from the non-controlling shareholder. The difference between the amount of non-controlling interests and the fair value of the consideration paid was recognized in other reserve.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 28 February 2019

	NOTE	Six months ended 28 February 2019 RMB'000 (Unaudited)	Six months ended 28 February 2018 RMB'000 (Unaudited)
Net cash used in operating activities		**(289,027)**	(289,752)
Net cash used in investing activities			
Proceeds from disposal of			
–financial assets at fair value through profit or loss		**386,646**	–
–held for trading investments		**–**	10,518
Proceeds on disposal of property, plant and equipment		**1,738**	864
Purchase of			
–financial assets at fair value through profit or loss		**(280,689)**	–
–held for trading investments		**–**	(52,171)
Placement of restricted bank deposits		**(179,822)**	(107,136)
Net cash outflow on acquisition of a subsidiary	23	**(117,399)**	(72,877)
Deposit paid for acquisition of a subsidiary	24	**(22,000)**	–
Settlement of acquisition consideration payable		**(8,398)**	–
Purchase of property, plant and equipment		**(82,708)**	(93,216)
Purchase of books for lease		**(1,359)**	(1,362)
		(303,991)	(315,380)
Net cash (used in) generated from financing activities			
Withdrawal of pledged bank deposits		**113,000**	–
Dividends paid		**(129,518)**	(103,016)
Repayment of borrowings		**(108,823)**	(2,324)
Interest paid		**(5,581)**	(4,930)
Proceeds from issue of new shares		**–**	813,804
Proceeds from exercise of share options		**–**	373
Acquisition of non-controlling interest		**–**	(56,166)
		(130,922)	647,741
Net (decrease) increase in cash and cash equivalents		**(723,940)**	42,609
Cash and cash equivalents at the beginning of the period		**2,220,694**	1,649,296
Effect of foreign exchange rate changes		**(10,043)**	(27,678)
Cash and cash equivalents at end of the period, represented by bank balances and cash		**1,486,711**	1,664,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs and International Accounting Standards ("**IASs**") issued by the International Accounting Standards Board which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
International Financial Reporting Interpretations Committee Interpretations 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS 9 Prepayment Features with Negative Compensation in advance of the effective date 1 September 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies resulting from application of IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue and the related interpretations.

The Group recognizes revenue from the following major sources:

- Tuition and boarding fees: represent tuition and boarding fees.
- Others: represent revenue from other educational related services and sale of goods and educational materials.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, 1 September 2018. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 September 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies resulting from application of IFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis, except for the acquisition of variable consideration.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the acquisition of variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies resulting from application of IFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (refunds), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return and some services that are provided subject to a refund, the Group recognizes all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies resulting from application of IFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

2.1.2 Summary of effects arising from initial application of IFRS 15

There were no material impact of transition to IFRS 15 on retained profits as at 1 September 2018.

The following reclassification adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at 1 September 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 August 2018 RMB'000	Reclassification RMB'000	Carrying amounts under IFRS 15 at 1 September 2018* RMB'000
Current Liabilities			
Contract liabilities	–	1,167,871	1,167,871
Refund liabilities	–	1,002	1,002
Deferred revenue	1,168,873	(1,168,873)	–

* *The amounts in this column are before the adjustments from the application of IFRS 9.*

The following table summarises the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 28 February 2019 for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies resulting from application of IFRS 15 Revenue from Contracts with Customers (Continued)

2.1.2 Summary of effects arising from initial application of IFRS 15 (Continued)

Impact on the condensed consolidated statement of financial position

	As Reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Current Liabilities			
Contract liabilities	676,677	(676,677)	–
Refund liabilities	580	(580)	–
Deferred revenue	–	677,257	677,257

2.2 Impacts and changes in accounting policies resulting from application of IFRS 9 Financial Instruments and related amendments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 September 2018. The difference between carrying amounts as at 31 August 2018 and the carrying amounts as at 1 September 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortized cost or fair value.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies resulting from application of IFRS 9 Financial Instruments and related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset that the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 September 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies resulting from application of IFRS 9 Financial Instruments and related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including deposits and other receivables, pledged bank deposits, restricted cash and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance for deposits and other receivables, pledged bank deposits, restricted cash and bank balances and cash equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies resulting from application of IFRS 9 Financial Instruments and related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial assets by recognizing corresponding adjustment through a loss allowance account.

As at 1 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies resulting from application of IFRS 9 Financial Instruments and related amendments (Continued)

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 September 2018.

	Notes	Available-for-sale investments RMB'000	Held for trading investments RMB'000	Financial assets at FVTPL required by IFRS 9 RMB'000
Closing balance at 31 August 2018 – IAS 39		246,000	116,770	–
Effect arising from initial application of IFRS 9				
Reclassification				
From available-for-sale investments	(a)	(246,000)	–	246,000
From held for trading investments	(b)	–	(116,770)	116,770
Opening balance at 1 September 2018		–	–	362,770

(a) *Available-for-sale ("**AFS**") investments*

At the date of initial application of IFRS 9, the Group's wealth management products of RMB246,000,000 were reclassified from AFS investments to financial assets at FVTPL.

(b) *Held for trading investments*

Investments are equity securities held for trading and which are required to be classified as FVTPL under IFRS 9. There was no impact on the amounts recognized in relation to these assets from the application of IFRS 9.

(c) *Impairment under ECL model*

Loss allowances for other financial assets at amortized cost mainly comprise of deposits and other receivables, pledged bank deposits, restricted cash and bank balances and cash. They are measured on 12m ECL basis as there had been no significant increase in credit risk since intitial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts and changes in accounting policies resulting from application of Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 September 2018.

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each individual line item.

	31 August 2018 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	1 September 2018 (Restated) RMB'000
Current Assets				
AFS investments	246,000	–	(246,000)	–
Held for trading investments	116,770	–	(116,770)	–
Financial assets at FVTPL	–	–	362,770	362,770
Current Liabilities				
Contract liabilities	–	1,167,871	–	1,167,871
Refund liabilities	–	1,002	–	1,002
Deferred revenue	1,168,873	(1,168,873)	–	–

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in international school education mainly in the PRC. The Group's chief operating decision maker has been identified as the Chief Executive Officer who reviews revenue analysis by service lines when making decisions about allocating resources and assessing performance of the Group.

As there is no other discrete financial information available for assessment of the performance of different services, no segment information is presented.

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

	Six months ended 28 February 2019 RMB'000 (unaudited)	Six months ended 28 February 2018 RMB'000 (unaudited)
Timing of revenue recognition		
Over time	**686,604**	572,178
A point in time	**57,792**	59,651
	744,396	631,829
Disaggregation of revenue by type of goods or services		
Tuition and boarding fees	**631,108**	535,788
Summer and winter camps	**27,642**	21,564
Sales of textbooks	**30,229**	25,200
Others	**55,417**	49,277
	744,396	631,829

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

Tuition and boarding fees (revenue recognized over time)

For tuition and boarding services the Group provides classroom education services and boarding service through the Group's high schools, middle schools, elementary schools, preschools and foreign nationals schools to customers (individual students) during the service period for a fixed fee. These services are mainly paid in advance prior to the beginning of each school year. The service period for tuition and boarding services is the related school year.

The directors of the Company have determined that the performance obligation of providing tuition and boarding services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period.

Under the Group's standard contract terms for tuition and boarding services, students have the right to refund during the service period. The Group estimates the refund liabilities by considered the historical experience. Revenue is recognized for the amount of consideration to which the Group expects to be entitled. A contract liability is recognized for fee received in which revenue has yet been recognized.

Revenue from other education related services (revenue recognized over time)

Other education related services includes summer and winter camps and educational vacation activities provided to students for a fixed fee. These services are mainly paid in advance prior to the service is provided. The service period for other education related services is the duration of the summer and winter camps or educational vacation activities. The directors of the Company have determined that the performance obligation of other education related services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period. The Group estimates the refund liabilities by considering the historical experience. Revenue is recognized for the amount of consideration to which the Group expects to be entitled. A contract liability is recognized for fee received in which revenue has yet been recognized.

Sales of goods and educational materials (revenue recognized at a point in time)

The Group sales textbooks and other educational materials to students which were purchased from third parties. The Group recognizes revenue from sales of textbooks and educational materials at a point in time when the control of textbooks and educational materials are passed to students. The Group considers that it is acting as the principal in the transaction and recognizes revenue from sales of textbooks and educational materials on a gross basis.

4. INVESTMENT AND OTHER INCOME

	Six months ended 28 February 2019 RMB'000 (unaudited)	Six months ended 28 February 2018 RMB'000 (unaudited)
Bank interest income	**13,928**	12,430
Government grants	**13,182**	3,142
Rental income from investment properties	**7,549**	7,458
Others	**–**	3
	34,659	23,033

5. OTHER GAINS AND LOSSES

	Six months ended 28 February 2019 RMB'000 (unaudited)	Six months ended 28 February 2018 RMB'000 (unaudited)
Reversal of other payables	**37,168**	33,291
Gain arising from changes in fair value of financial assets measured at FVTPL	**32,198**	–
Gain on disposal of held for trading investments	**–**	1,137
Gain arising from changes in fair value of held for trading investments	**–**	3,129
Net foreign exchange loss	**(12,692)**	(17,773)
(Loss) Gain on disposal of property and equipment	**(736)**	285
Others	**1,015**	2,008
	56,953	22,077

6. TAXATION

	Six months ended 28 February 2019 RMB'000 (Unaudited)	Six months ended 28 February 2018 RMB'000 (Unaudited)
The charge comprises		
Current tax:		
PRC enterprise income tax	**16,507**	13,641
Deferred tax:		
Current period	**(1,647)**	(4,173)
	14,860	9,468

The increment of the PRC enterprise income tax expense mainly contributed by certain subsidiaries' tax loss was fully utilized during the interim period.

7. PROFIT FOR THE PERIOD

	Six months ended 28 February 2019 RMB'000 (unaudited)	Six months ended 28 February 2018 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	**308,121**	248,234
– retirement benefit scheme contributions	**15,299**	11,604
– share-based payments	**23,143**	5,179
Total staff costs	**346,563**	265,017
Gross rental income from investment properties	**(7,549)**	(7,458)
Less:		
Direct operating expenses incurred for investment properties (included in administrative expenses)	**844**	1,083
	(6,705)	(6,375)
Depreciation of property and equipment	**37,793**	27,244
Gain arising from changes in fair value of financial assets measured at FVTPL	**32,198**	–
Gain on disposal of held for trading investments	**–**	1,137
Gain arising from changes in fair value of held for trading investments	**–**	3,129
Depreciation of investment properties	**1,922**	1,861
Release of prepaid lease payments	**2,906**	2,906
Amortizations of books for lease	**1,838**	1,222

8. DIVIDENDS

During the current interim period, a final dividend of HK$5.1 cents (equivalent to approximately RMB4.5 cents) per share (total dividend of RMB130,659,000) in respect of the year ended 31 August 2018 was paid to shareholders. Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$4.7 cents per share in respect of the six months ended 28 February 2019 (for the six months ended 28 February 2018: HK$4.0 cents, equivalent to approximately RMB3.3 cents, total dividend of RMB96,162, 000) will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 17 May 2019.

9. EARNINGS PER SHARE

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

	Six months ended 28 February 2019 RMB'000 (Unaudited)	Six months ended 28 February 2018 RMB'000 (Unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**284,270**	236,489

	Six months ended 28 February 2019 '000 (Unaudited)	Six months ended 28 February 2018 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,948,598**	2,765,257
Effect of dilutive potential ordinary shares	**797**	7,493
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,949,395**	2,772,750

The number of shares adopted in the calculation of the basic earnings per share and the diluted earnings per share for the six months ended 28 February 2019 and 2018 has been retrospectively adjusted to reflect the Share Subdivision disclosed and as defined in note 18 which became effective on 9 July 2018.

The number of shares adopted in the calculation of the basic earnings per share for the six months ended 28 February 2019 and 2018 has been arrived after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

The number of shares adopted in the calculation of the diluted earnings per share for the six months ended 28 February 2019 and 2018 has been arrived after assuming the exercise of the Company's outstanding share options and unvested shares of the Company held under the Share Award Scheme.

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

During the current interim period, the Group disposed of certain equipment with an aggregate carrying amount of approximately RMB2,474,000 (for the six months ended 28 February 2018: RMB579,000) for cash proceeds of approximately RMB1,738,000 (for the six months ended 28 February 2018: RMB864,000), resulting in a loss on disposal of approximately RMB736,000 (a gain for the six months ended 28 February 2018: RMB285,000).

During the six months ended 28 February, 2018, the Group received an asset related government grant amounted to RMB24,700,000, which was deducted from the carrying amount of the related building. During the current interim period, the Group recorded an addition of property, plant and equipment amounted to RMB127,321,000.

The Group paid a net cash consideration of RMB82,708,000 to purchase property, plant and equipment (for the six months ended 28 February 2018: RMB93,216,000).

11. GOODWILL

	Six months ended 28 February 2019 RMB'000 (Unaudited)	Six months ended 28 February 2018 RMB'000 (Unaudited)
Cost and carrying values:		
At 1 September	**165,968**	60,464
Arising on acquisition of subsidiaries	**74,310**	30,453
At 28 February	**240,278**	90,917

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Receivable from third parties	**42,226**	31,374
Prepayments for acquisition of a subsidiary (Note 24)	**22,000**	–
Management fees receivables	**12,234**	13,132
Other deposits	**9,831**	7,653
Prepaid rent and other prepaid expenses	**9,455**	4,176
Prepaid lease payments	**5,786**	5,786
Others	**17,519**	14,661
	119,051	76,782

13. RESTRICTED CASH

	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Bank balances and cash	**1,486,711**	2,220,694
Restricted cash (Note)	**179,822**	–

Note: *During the current interim period, the Group placed RMB177,666,000 in a bank account managed by both the Group and the seller of the acquisition target in Luzhou, therefore the amount deposited is recorded as restricted cash.*

During the current interim period, the Group placed RMB2,156,000 in a bank account managed by both the Group and the seller of five schools in Hainan, therefore the amount deposited is recorded as restricted cash. This acquisition was completed in 1 June 2018, and the amount will be paid to the seller upon satisfaction of certain conditions in relation to the acquisition.

14. CONTRACT LIABILITIES/DEFERRED REVENUE

	28/02/2019 RMB'000 (Unaudited)
Contract liabilities	**676,677**

	31/08/2018 RMB'000 (Audited)
Deferred revenue	1,168,873

The following table shows the unsatisfied contract at 28 February 2019 and the expected timing of recognizing revenue.

	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Expected to be recognized within one year	**676,677**	–

15. REFUND LIABILITIES

	28/02/2019 RMB'000 (Unaudited)
Refund liabilities	
Arising from right of refund	**580**

16. OTHER PAYABLES AND ACCRUED EXPENSES

	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Miscellaneous expenses received from students (Note)	**94,972**	181,865
Payables for purchase of property, plant and equipment	**74,009**	96,275
Accrued payroll	**17,390**	21,234
Deposits received from students	**13,510**	17,920
Acquisition consideration payable	**12,040**	9,076
Other tax payables	**2,097**	12,354
Payables for purchase of goods	**4,040**	2,882
Prepayment from lessee	**3,995**	4,346
Accrued operating expenses	**3,829**	6,130
Contingent consideration in business combination	**–**	4,600
Payable for land use right	**–**	3,000
Others	**35,387**	39,770
	261,269	399,452

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

17. BORROWINGS

	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Secured bank borrowings	**322,372**	431,338
The carrying amounts of the above borrowings are repayable:		
Within one year	**119,372**	224,537
Within a period of more than one year but not exceeding two years	**4,762**	4,795
Within a period of more than two years but not exceeding five years	**198,238**	202,006
	322,372	431,338
Less: Amounts due within one year shown under current liabilities	**(119,372)**	(224,537)
Amounts shown under non-current liabilities	**203,000**	206,801

During the financial year ended 31 August 2017, the Group obtained bank loans amounted to Singapore Dollars ("**S$**") 67,303,000 (equivalent to RMB330,833,000) and HK$120,000,000 (equivalent to RMB106,559,000). The bank loans are secured by pledged deposits of RMB132,000,000 of Dalian Maple Leaf Educational Group Co., Ltd., mortgaged over investment properties with carrying amount of RMB319,394,000, existing and future legal assignment of sales proceeds, rental proceeds, rental deposits and other rights of Maple Leaf Education Hillside Pte. Limited. The Group repaid the bank loan amounted to HK$120,000,000 (equivalent to RMB106,418,000) and S$480,000 (equivalent to RMB2,405,000) during the current interim period. The loans carry interest at variable interest rates from 2.02% to 3.41% (31 August 2018: 1.33% to 2.98%) per annum.

18. SHARE-BASED PAYMENTS

Share Award Scheme

The number of restricted shares disclosed below has been retrospectively adjusted to reflect the Share Subdivision that became effective on 9 July 2018.

The Company has appointed a trustee (the "**Trustee**") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. The Trustee purchases the Company's shares being awarded from the open market using cash contributed by the Company to satisfy awards made under the Share Award Scheme.

Details of the restricted shares granted under Share Award Scheme with outstanding restricted shares at 28 February 2019 are as follows:

Restricted shares type	Date of grant	Restricted shares granted	Vesting date/period	Fair value at grant date RMB
Share Award Scheme-3rd	1 March 2016	2,452,000	31 May 2018	1.79
Share Award Scheme-7th	3 March 2017	696,000	31 May 2019	2.25
Share Award Scheme-11th	13 March 2018	13,348,000	31 May 2018–31 May 2020	4.31

Movements in the restricted shares granted under Share Award Scheme during the six months ended 28 February 2019 are as follows:

For the six months ended 28 February 2019

	Restricted shares type	Outstanding at 1 September 2018	Granted during the period	Vested during the period	Forfeited during the period	Outstanding at 28 February 2019
Employees	Share Award Scheme-3rd	–	32,000	(32,000)	–	–
	Share Award Scheme-7th	632,000	–	–	(16,000)	616,000
	Share Award Scheme-11th	5,190,000	–	–	(112,000)	5,078,000
Total		5,822,000	32,000	(32,000)	(128,000)	5,694,000

18. SHARE-BASED PAYMENTS (continued)

Share Award Scheme (continued)

Pursuant to the Share Award Scheme, the vesting of the 3rd, 7th and 11th tranche of the restricted shares are subject to satisfaction of certain performance conditions. These performance conditions including targets on the Group's annual revenue and net profit excluding all exceptional and non-recurring items in the consolidated statement of profit or loss exceed a specified amount.

The Group recorded share-based compensation expense of RMB9,041,000 for the six months ended 28 February 2019 (2018: RMB5,179,000), in relation to the restricted shares granted by the Company under the Share Award Scheme.

Post-IPO Share Option Scheme

The Company's post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") was approved and adopted by the Company on 10 November 2014 to take effect from 28 November 2014 for the purpose of enabling the Company to grant options to the Selected Participants as incentives or rewards for their contributions to the Group.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company from time to time.

The number of option shares disclosed below has been retrospectively adjusted to reflect the Share Subdivision that became effective on 9 July 2018.

Details of share options granted with outstanding share options at 28 February 2019 are as follows:

Tranche	Date of grant	Date of expiration	Options granted	Vesting date	Exercisable period	Exercise price HK$	Fair value at grant date HK$
Post-IPO-4th	14 June 2018	15 February 2026	6,768,000	1 January 2019– 1 January 2023	1 January 2019– 31 January 2023	7.22	2.16
Post-IPO-5th	14 June 2018	15 February 2026	43,500,000	1 January 2019– 1 January 2023	1 January 2019– 31 January 2023	7.22	2.16

Movements in the Company's share options granted under the Post-IPO Share Option Scheme during the six months ended 28 February 2019 are as followings:

18. SHARE-BASED PAYMENTS (continued)

Post-IPO Share Option Scheme (continued)

For the six months ended 28 February 2019

	Date of grant	Option type	Outstanding at 1 September 2018	Granted during the period	Forfeited during the period	Lapsed during the period	Outstanding at 28 February 2019
Executive director							
Sherman Jen	14 June 2018	Post-IPO-4th	692,000	–	–	(692,000)	–
Zhang Jingxia	14 June 2018	Post-IPO-4th	2,000,000	–	–	(400,000)	1,600,000
James William Beeke	14 June 2018	Post-IPO-4th	1,000,000	–	–	(200,000)	800,000
Non-executive director and vice chairman							
Howath Robert Balloch	14 June 2018	Post-IPO-4th	1,000,000	–	–	(200,000)	800,000
Independent non-executive director							
Peter Humphrey Owen	14 June 2018	Post-IPO-4th	692,000	–	–	(138,400)	553,600
Mei Xiao Dan	14 June 2018	Post-IPO-4th	692,000	–	–	(138,400)	553,600
Wong Lap Tat Arthur	14 June 2018	Post-IPO-4th	692,000	–	–	(138,400)	553,600
Employees							
In aggregate	14 June 2018	Post-IPO-5th	43,100,000	–	(1,540,000)	(8,440,000)	33,120,000
Total			49,868,000	–	(1,540,000)	(10,347,200)	37,980,800
Exercisable at the end of the year							–

The Group recorded share-based compensation expense of RMB14,102,000 for the six months ended 28 February 2019 (2018: RMB nil), in relation to the share options granted under the Post-IPO Share Option Scheme.

18. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme

The Company's pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") was adopted pursuant to a resolution passed on 1 April 2008 for the primary purpose of providing incentives to directors and eligible employees.

Under the Pre-IPO Share Option Scheme, the Directors may grant options to eligible directors, employees and consultants to subscribe for shares in the Company, up to a total of 66,702,832 shares.

Details of specific category of options are as follows:

Option type	Date of grant	Date of expiration	Options granted	Vesting period	Exercisable period	Exercise price RMB	Fair value at grant date RMB
Pre-IPO-1st	1 September 2008	31 August 2018	32,548,412	1 September 2008 – 31 August 2012	1 September 2009 – 31 August 2018	0.47	0.12
Pre-IPO-2nd	1 September 2009	31 August 2019	6,852,298	1 September 2009 – 31 August 2013	1 September 2010 – 31 August 2019	0.47	0.14
Pre-IPO-3rd	2 June 2014	1 June 2024	27,302,122	2 June 2014 – 28 November 2014	28 November 2014 – 1 June 2024	0.47	0.56

19. OPERATING LEASES COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the periods:

	Six months ended 28 February 2019 RMB'000 (Unaudited)	Six months ended 28 February 2018 RMB'000 (Unaudited)
Premises	**9,932**	4,158

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Within one year	**16,841**	16,776
In the second to fifth year inclusive	**48,864**	49,950
Over five years	**28,381**	33,626
	94,086	100,352

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for lease terms of one to ten years.

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Within one year	**14,318**	14,596
In the second to fifth year inclusive	**9,441**	16,209
	23,759	30,805

20. CONTINGENT LIABILITIES

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking among other things, specific performance of the consultancy agreement between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim. The management believes that there was no basis for Zhixin's claim against the Company.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin's application was dismissed. The case now proceeds 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 (the "**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 28 February 2019, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

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

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

Finance assets	Fair value as at 28 February 2019	Fair value as at 31 August 2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL -Listed equity securities	**Listed equity securities: RMB11,097,000**	–	Level 1	Quoted bid prices in an active market	NA
Held-for-trading investments -Listed equity securities	–	Listed equity securities: RMB 116,770,000	Level 1	Quoted bid prices in an active market	NA
Financial assets at FVTPL -wealth management products	**wealth management products: RMB275,213,000**	–	Level 2	Discounted cash flow, future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects that credit risk of the counterparties	NA
AFS investments: -wealth management products	–	wealth management products: RMB 246,000,000	Level 2	Discounted cash flow, future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects that credit risk of the counterparties	NA
Contingent consideration in a business combination	-	Liabilities: RMB4,600,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Probability of students base; Discount rate

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

There were no transfers between Level 1, Level 2 and Level 3 for the six months ended 28 February 2019 and 2018.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements

	Contingent consideration in business combinations	
	28/02/2019 RMB'000 (Unaudited)	31/08/2018 RMB'000 (Audited)
Opening balance	**4,600**	–
Business combination	**–**	12,547
Settlements	**(4,600)**	(7,947)
Closing balance	**–**	4,600

22. ACQUISITION OF A SUBSIDIARY

On 1 January 2019, the Group acquired 100% of the equity interest in Xiangyang Junpeng Education Consulting Company Limited ("**Junpeng**") at a total consideration of RMB129,820,000. The acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB74,310,000. Junpeng is principally engaged in the operation of a K-12 boarding school located in Xiangyang City of Hubei Province. Xiangcheng Star of Hope Kindergarten, Liuhuajian Star of Hope Kindergarten, Tiandi Star of Hope Kindergarten, Dingfu Star of Hope Kindergarten, Qiantang Star of Hope Kindergarten, Lvdi Star of Hope Kindergarten and Dongjin Star of Hope Kindergarten are private non-enterprise organisations wholly-owned by Junpeng.

Consideration transferred:

	RMB'000
Cash	129,820

22. ACQUISITION OF A SUBSIDIARY (Continued)

Assets and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	56,722
Other intangible assets	8,821
Inventories	232
Deposit, prepayments and other receivables	5,293
Bank balances and cash	5,659
Contract liabilities	(2,946)
Other payables and accrued expenses	(8,036)
Deferred tax liabilities	(10,235)
	55,510

The property, plant and equipment and other intangible assets were valued at fair value by the Company with reference to an independent valuation provided by Duff & Phelps, an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience of valuation of similar assets. Its address is Suite 801-803, 8/F., Tower 2, China Central Place, 79 Jianguo Road, Chaoyang District, Beijing, China.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	129,820
Less: Fair value of identifiable net assets acquired	(55,510)
Goodwill arising on acquisition	74,310

Goodwill arose in the acquisition of Junpeng because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the geographic location, networking effect as a result of synergy from the acquisition, growth prospect through increased sales volume and improved market position, and the assembled workforce of Junpeng. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

22. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow on acquisition of Junpeng:

	RMB'000
Consideration paid in cash	123,058
Less: cash and cash equivalent balances acquired	(5,659)
	117,399

Impact of acquisition on the results of the Group

Included in the profit for the period is a profit of RMB2,443,000 attributable to the additional business generated by Junpeng. Revenue for the period includes RMB2,880,000 generated from Junpeng.

Had the acquisition been completed on 1 September 2018, total group revenue for the period would have been RMB750,276,000, and profit for the period would have been RMB281,400,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Junpeng been acquired at the beginning of the current period, the directors of the Company have calculated depreciation of property and equipment and amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the preacquisition financial statements.

23. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management for two periods are as follows:

	Six months ended 28 February 2019 RMB'000 (Unaudited)	Six months ended 28 February 2018 RMB'000 (Unaudited)
Salaries and other allowances	**5,616**	6,098
Retirement benefits scheme contributions	**22**	4
Share-based payments	**3,989**	1,059
	9,627	7,161

24. EVENT AFTER THE REPORTING PERIOD

Acquisition of a subsidiary

Subsequent to 28 February 2019, the Group completed acquisition of 75% in Luzhou No. 7 Jiade Education Investment Co., Ltd.* ("**Luzhou Jiade**") at a total consideration of RMB210,000,000. Luzhou Jiade is principally engaged in the operation of a K-12 boarding school located in Luzhou City of Sichuan Province. Consideration of the acquisition including cash consideration of RMB160,000,000 and allotment and issuance of an aggregate of 16,136,042 ordinary shares with par value of USD0.0005 each. The amount of ordinary shares issued was determined based on the price of HK$3.524 per share on the date of the acquisition agreement, which amounted to HK$56,863,000 (equivalent to approximately RMB50,000,000). Prior to the period end, the Group has made deposit of RMB22,000,000. The management of the Group is in the process of assessing the purchase price allocation, therefore information of assets acquired or liability assumed is not available at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over twenty four years of experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering high quality, bilingual preschool to grade 12 education combining the merits of both Western and Chinese educational philosophies. Our high schools (for students from grade 10 to 12) are certified by both the Ministry of Education of British Columbia ("**BC**"), Canada and Chinese educational authorities respectively, which allow our graduates to receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, Maple Leaf Educational Systems has attained AdvancED Corporate Systems accreditation and all of its high schools, middle schools, elementary schools and foreign nationals schools are accredited by AdvancED, the largest school accreditation agency in the United States of America. We target mainly Chinese students from middle class families in China who aim to pursue higher education abroad and for whom our tuition fees are affordable and competitive.

The Group's Schools

At the commencement of the 2018/2019 school year, 10 new schools were added to our school network. In September 2018, the Group opened a high school and a middle school in Yancheng, Jiangsu Province; 7 preschools in Xiangyang, Hubei Province; and a preschool in Wuhan, Hubei Province.

In February 2019, a high school opened at Mawson Lakes Campus of University of South Australia ("**UniSA**") in Adelaide, Australia which is the third overseas school of Maple Leaf, Maple Leaf School – University of South Australia ("**MLES-UniSA**").

As at 28 February 2019, the Group had 93 schools located in 23 cities in China, Canada and Australia, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Pinghu, Xi'an, Huai'an, Yancheng, Huzhou, Weifang, Haikou, Shenzhen, Xiangyang, Kamloops, Richmond and Adelaide. The following table shows a summary of our schools by category as at the end of the two periods:

	At 28 February 2019	At 28 February 2018
High schools	**15**	13
Middle schools	**23**	21
Elementary schools	**24**	21
Preschools	**28**	19
Foreign nationals schools	**3**	3
Total	**93**	77

Revenue

	For the six months ended			
	28 February 2019 RMB'000	**% of Total**	28 February 2018 RMB'000	% of Total
Tuition fees				
– High school	**254,656**	**34.2**	263,511	41.7
– Middle school	**110,364**	**14.8**	95,906	15.2
– Elementary school	**219,626**	**29.5**	139,980	22.2
– Preschool	**31,855**	**4.3**	23,438	3.7
– Foreign national school	**14,607**	**2.0**	12,953	2.0
Total of tuition fees	**631,108**	**84.8**	535,788	84.8
Textbooks	**30,229**	**4.1**	25,200	4.0
Summer and winter camps	**27,642**	**3.7**	21,564	3.4
Other educational services	**968**	**0.1**	4,435	0.7
Others	**54,449**	**7.3**	44,842	7.1
Total revenue	**744,396**	**100**	631,829	100

For the six months ended 28 February 2019, tuition fees remained our major revenue contributor, accounting for over 84.8% of total revenue. Tuition fees generally include boarding fees, and tuition fees are mainly paid prior to the beginning of each school year and are initially recorded as deferred revenue. Tuition fees received in advance are recognized as revenue proportionately over the relevant school year. For the six months ended 28 February 2019, tuition fees increased by RMB95.3 million, or 17.8%, mainly due to an increase in overall student enrolment during this period.

Tuition fees from our high schools decreased by 3.4%, while tuition fees from middle schools and elementary schools increased by 15.1% and 56.9% respectively. The positive performance in our middle schools and elementary schools was mainly attributable to the opening of 2 new middle schools and 3 new elementary schools in September 2018, while the number of students in our schools in Liangping, Yancheng, Huzhou and Weifang grew significantly.

Revenue from other sources principally comprises revenue from self-operated supermarkets selling food and miscellaneous school supplies in our school campuses, provision of school uniforms and provision of other services. Revenue from other sources increased significantly for the six months ended 28 February 2019.

Student Enrolment

	At 28 February 2019	At 28 February 2018	Change	Percentage Change
Total number of students enrolled	**36,099**	28,321	**+7,778**	**+27.5%**

The total number of students enrolled increased due to (i) an increase in student enrolment at our existing schools in Liangping, Huzhou and Weifang; and (ii) the opening of new schools in Yancheng and Xiangyang, with effect from September 2018. In particular, our schools in Liangping, Yancheng, Huzhou and Weifang experienced a remarkable growth in student enrolment for the six months ended 28 February 2019. These numbers do not include approximately 3,200 students enrolled at the newly acquired Luzhou No. 7 Jiade International School*.

Average Tuition Fee per Student

	For the six months ended 28 February 2019	28 February 2018
Tuition fees (RMB'000)	**631,108**	535,788
Average student enrolment^	**34,789**	27,205
Average tuition fee per student# (RMB'000)	**18.1**	19.7

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

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

Average tuition fee per student decreased by approximately 8.1% due to the average tuition fee rate of acquired schools in Haikou and Xiangyang is below our existing schools' average tuition fee rate. Morever, the impact of relatively lower tuition fee charged and an increased number of students enrolled in the elementary schools and preschools.

Utilization of the Group's Schools

Utilization rate is calculated as the number of students divided by the estimated capacity of a given school. Except for our preschools and foreign nationals 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 nationals schools, the capacity for students is based on the number of desks in their classrooms.

	At 28 February 2019	At 28 February 2018
Total number of students enrolled	**36,099**	28,321
Total capacity	**57,300**	48,840
Overall utilization	**63%**	58%

Total capacity increased primarily due to the opening of schools in Yancheng in September 2018 and acquired schools in Haikou and Xiangyang. The 5% increase in our overall utilization rate was due to a significant increase in the number of students enrolled in existing schools in Liangping, Yancheng, Huzhou and Weifang and the increase in the numbers of students enrolled in the acquired schools in Haikou and Xiangyang.

The Group's Teachers

	At 28 February 2019	At 28 February 2018
Total number of teachers	**3,147**	2,643

The total number of teachers increased primarily because more PRC-certified teachers were recruited for the opening of a middle school, an elementary school and 8 preschools at the commencement of the 2018/2019 school year. Our student-teacher ratio slightly increased from 10.7:1 to 11.5:1 mainly due to the ratio increased in middle schools and elementary schools.

OUTLOOK

Student Enrolment

As at 31 March 2019, our total student enrolment was 41,380, approximately 20.0% of our current students are high school students.

The Group believes that establishing a "through-train" for students from preschool to high school can improve the efficiency of our school system, while producing students that are better prepared for the BC diploma in our high schools and for further studies at overseas universities. To achieve this, the Group will continue to open more middle schools and elementary schools in second and third-tier cities in China, which are large enough to serve as district schools, as feeders for our high schools. Therefore, the Group expects that the proportion of our students in middle schools and elementary schools will continue to grow.

Expansion Strategies

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

Future New School Development

The Group has an established pipeline of opening new schools in China and overseas. In particular, in 2019/2020 school year, the Group will open a high school in Thunder Bay, Canada; a middle school and an elementary school in Ji'nan, Shandong Province; and a middle school and an elementary school in Xiangyang, Hubei Province. These new schools and campuses, being developed with an asset-light model, are expected to add 2,750 new spaces to our total capacity.

Expansion of Student Capacity for Our Established School Campus

Driven by strong student enrolment, the Wuhan campus was fully utilised as of 28 February 2019. In 2019/2020 school year, we expect to expand our school in Wuhan, and capacity for an additional 1,500 students will be added to our total capacity in 2020/2021 school year.

Acquisition in Luzhou, China

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

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

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

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

Overseas Expansion

Overseas expansion is part of the Group's long-term growth strategy. We believe that a global presence of Maple Leaf brand schools will definitely help our student recruitment in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also in other regions of the world such as North America and Southeast Asia. Accordingly, the Group will explore opportunities for opening more Maple Leaf brand bilingual schools outside of mainland China such as Canada, Southeast Asia and along belt and road countries, where there is a demand for blending the best of Western and Chinese culture.

Upon graduation from our high schools, Maple Leaf students are admitted into a wide range of international universities principally in Canada, the United States, the United Kingdom, Australia and Switzerland. As interest to study in Australia among our students has increased rapidly, in February 2019, a high school opened at Mawson Lakes Campus of UniSA in Adelaide, Australia which is the third overseas school of Maple Leaf, MLES-UniSA. UniSA is one of the leading universities in Australia and is ranked among the Top 50 young universities worldwide by both QS and Times Higher Education.

University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. As of April 2019, 2,120 Maple Leaf high school students of the class of 2019 have received over 4,723 offers from universities in 11 countries. The quality of our university placements continues to improve. As of April 2019, 106 of our students have received offers from World Top 10 universities including prestigious University College London and Imperial College in the United Kingdom.

Grant of Share Options and Share Awards

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

Conclusion

As at 28 February 2019, contract liabilities amounted to RMB676.7 million, providing an indication of the amount that will be recognized as tuition revenue for the second half of the year ending 31 August 2019. It is also expected that additional revenue will be recorded from summer and winter camps, summer classes and graduation consulting services in the second half of the year ending 31 August 2019.

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

We continue to employ a capital efficient expansion strategy in our openings of new schools. Of the 11 new Maple Leaf schools opened in the first half of the 2018/2019 school year, 4 campuses were either self-developed or asset-light schools jointly developed with local partners. 7 new preschools opened in 2018/2019 school year were through acquisition.

FINANCIAL REVIEW

Revenue

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

Total revenue of the Group increased by RMB112.6 million, or 17.8%, from RMB631.8 million for the six months ended 28 February 2018 to RMB744.4 million for the six months ended 28 February 2019. The increase was primarily due to the increase in revenue from tuition fees by RMB95.3 million and the increase in revenue from others by RMB17.3 million.

Revenue from tuition fees increased by 17.8% from RMB535.8 million for the six months ended 28 February 2018 to RMB631.1 million for the six months ended 28 February 2019, largely due to the increase in student enrolment by 27.5%. Revenue from others increased by 18.0% from RMB96.0 million for the six months ended 28 February 2018 to RMB113.3 million for the six months ended 28 February 2019, mainly due to an increase in provision of school uniforms and an increase in provision of other services.

Cost of Revenue

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

Cost of revenue increased by RMB80.3 million, or 23.8%, from RMB337.3 million for the six months ended 28 February 2018 to RMB417.6 million for the six months ended 28 February 2019. The increase was largely due to an increase in teaching staff costs by RMB57.4 million, an increase in depreciation and amortisation by RMB13.2 million and an increase in other costs by RMB9.7 million.

Teaching staff costs increased by 27.6% from RMB208.1 million for the six months ended 28 February 2018 to RMB265.5 million for the six months ended 28 February 2019, primarily due to an increase in the number of our teachers from 2,643 as at 28 February 2018 to 3,147 as at 28 February 2019 and an increase in staff salaries of the Group since September 2018. Depreciation and amortisation increased from RMB28.3 million for the six months ended 28 February 2018 to RMB41.5 million for the six months ended 28 February 2019, primarily due to additional depreciation charge for our schools in Tianjin and Shenzhen started from September 2018. Other costs increased from RMB100.9 million for the six months ended 28 February 2018 to RMB110.6 million for the six months ended 28 February 2019, primarily due to an increase in the cost of sales of goods and educational materials to students.

Gross Profit

As a result of the foregoing, gross profit increased by 10.9% from RMB294.5 million for the six months ended 28 February 2018 to RMB326.8 million for the six months ended 28 February 2019. Our gross margin decreased from 46.6% for the six months ended 28 February 2018 to 43.9% for the six months ended 28 February 2019, primarily due to an increase in staff salaries of the Group from September 2018.

Investment and Other Income

Investment and other income consist mainly of interest income from our bank deposits and short-term wealth management products, rental income from investment properties and government grants. Investment and other income increased by 50.5% from RMB23.0 million for the six months ended 28 February 2018 to RMB34.7 million for the six months ended 28 February 2019.

For the six months ended 28 February 2019, government grants increased by RMB10.0 million primarily due to more immediate retreat of tax received from government during this period.

Other Gains and Losses

Other gains and losses consist primarily of gains on the extinguishment of other payables, gain or loss on financial investments and foreign exchange gains and losses. Other gains and losses increased from a gain of RMB22.1 million for the six months ended 28 February 2018 to a gain of RMB57.0 million for the six months ended 28 February 2019. The increase was mainly attributable to the combined effects of i) an increase in a net loss on foreign exchange of RMB5.1 million, ii) an increase in a gain arising from changes in fair value of financial assets measured at FVTPL by RMB32.2 million, and iii) an increase in a gain on the extinguishment of other payables by RMB3.9 million.

Marketing Expenses

Marketing expenses mainly consist of commercials and expenses for producing, printing and distributing advertising and promotional materials, and salaries and benefits for personnel engaged in selling and marketing activities. Marketing expenses increased by 6.6% from RMB13.1 million for the six months ended 28 February 2018 to RMB14.0 million for the six months ended 28 February 2019. Marketing expenses as a percentage of revenue decreased from 2.1% for the six months ended 28 February 2018 to 1.9% for the six months ended 28 February 2019, primarily due to a decrease in advertising and promotional expenses and student placement related expenses as a percentage of revenue.

Administrative Expenses

Administrative expenses consist primarily of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, employee share options and certain professional expenses. Administrative expenses increased by 39.3% from RMB73.8million for the six months ended 28 February 2018 to RMB102.8 million for the six months ended 28 February 2019, as the Group has increased staff salaries from September 2018. However, administrative expenses as a percentage of total revenue only slightly increased from 11.7% for the six months ended 28 February 2018 to 13.8% for the six months ended 28 February 2019 as a result of effective cost control.

Finance Costs

For the six months ended 28 February 2019, finance costs mainly represented interest expense for secured bank borrowings. Finance costs increased from RMB4.9 million for the six months ended 28 February 2018 to RMB5.6 million for the six months ended 28 February 2019 primarily due to the increment of interest rate for bank borrowings.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB296.1 million for the six months ended 28 February 2019, compared with RMB247.8 million for the six months ended 28 February 2018. Profit before taxation as a percentage of revenue was 39.8% for the six months ended 28 February 2019, compared with 39.2% for the six months ended 28 February 2018.

Taxation

Income tax expense of the Group increased from RMB9.5 million for the six months ended 28 February 2018 to RMB14.9 million for the six months ended 28 February 2019, mainly due to the accumulated tax losses from previous years for diploma education business have been fully applied. The effective tax rate of the Group for the six months ended 28 February 2019 and the six months ended 28 February 2018 was 5.0% and 3.8% respectively. The increase in the Group's effective tax rate was primarily due to some of the diploma education business started to pay China EIT.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 18.0% from RMB238.4 million for the six months ended 28 February 2018 to RMB281.2 million for the six months ended 28 February 2019.

Adjusted Net Profit

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

	Six months ended	
	28 February 2019 RMB'000 (unaudited)	28 February 2018 RMB'000 (unaudited)
Profit for the period	**281,214**	238,359
Add:		
Share-based payments	**23,143**	5,179
Adjusted net profit	**304,357**	243,538

Adjusted net profit for the six months ended 28 February 2019 increased by RMB60.8 million or 25.0%. Adjusted net profit margin was 40.9% for the six months ended 28 February 2019, and compared with 38.5% for the six months ended 28 February 2018.

Capital Expenditures

During the six months ended 28 February 2019, the Group spent RMB70.6 million mainly for the expansion of school campuses in Chongqing and Pingdingshan and construction of clothing manufacturing plant in Dalian.

Liquidity, Financial Resources and Capital Structure

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

	Six months ended	
	28 February 2019 RMB'000 (unaudited)	28 February 2018 RMB'000 (unaudited)
Net cash used in operating activities	**(289,027)**	(289,752)
Net cash used in investing activities	**(303,991)**	(315,380)
Net cash (used in) generated from financing activities	**(130,922)**	647,741
Net (decrease) increase in cash and cash equivalents	**(723,940)**	42,609
Cash and cash equivalents at the beginning of the period	**2,220,694**	1,649,296
Effect of foreign exchange rate changes	**(10,043)**	(27,678)
Cash and cash equivalents at end of the period	**1,486,711**	1,664,227

As at 28 February 2019, the Group's bank balances and cash amounted to RMB1,486.7 million, of which the majority were denominated in RMB and HK$. Bank balances and cash decreased mainly because of the repayment of expired bank borrowings.

As at 28 February 2019, the Group's bank borrowings were RMB322.4 million, all of which were secured by the Group's bank deposits and investment properties.

The Group expects that its future capital expenditures will primarily be financed by its internal resources.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures and liabilities are denominated in foreign currencies such as CAD, HK$, S$ and US$. As at 28 February 2019, certain bank balances and cash and liabilities were denominated in CAD, HK$, S$ and US$. The Group did not enter into any financial arrangement for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

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

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin's application was dismissed. The case now proceeded to the main trial stage.

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

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 28 February 2019, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

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

Pledge of Assets

As at 28 February 2019, the Group pledged a total bank deposits of RMB132.0 million and certain investment properties with an aggregate carrying amount of RMB319.4 million to certain licensed banks for certain bank facilities in the amount of RMB322.4 million.

Material Acquisitions and Disposals of Subsidiaries

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries during the six months ended 28 February 2019.

Significant Investments Held

As at 28 February 2019, no significant investment was held by the Group.

Employee Benefits

As at 28 February 2019, the Group had 5,663 full-time employees (as at 28 February 2018: 4,696). The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a pre-IPO share option scheme, a post-IPO share option scheme and a Share Award Scheme set up for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, the financial performance of the Group and the relevant market conditions. Total employee remuneration (including directors' remuneration) for the six months ended 28 February 2019 amounted to approximately RMB346.6 million.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK$4.7 cents per share for the six months ended 28 February 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 17 May 2019 (Friday). The interim dividend is expected to be paid on or about 28 May 2019 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 28 February 2019, the register of members of the Company will be closed from 16 May 2019 (Thursday) to 17 May 2019 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for the interim dividend, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 15 May 2019 (Wednesday).

CORPORATE GOVERNANCE

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

Compliance with the Corporate Governance Code

During the six months ended 28 February 2019 and up to the date of the report, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules and has complied with all the applicable code provisions, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive officer ("**CEO**") should not be performed by the same individual.

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

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

Compliance with the Model Code for Securities Transactions by Directors

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 28 February 2019.

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

During the six months ended 28 February 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 28 February 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director/ chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying Shares	Approximate percentage of shareholding
Shu Liang Sherman Jen ("**Mr. Jen**")	Interest of controlled corporation	1,483,639,818 (Note 1)	–	1,483,639,818	49.80%
	Beneficial interest	24,252,850	–	24,252,850	0.81%
	Interest of spouse	1,342 (Note 2)	–	1,342	0.00%
Jingxia Zhang	Beneficial interest	3,511,146	1,600,000 (Note 3)	5,111,146	0.17%
James William Beeke	Interest of controlled corporation	1,174,000 (Note 4)	–	1,174,000	0.04%
	Beneficial interest	51,342	800,000 (Note 3)	851,342	0.03%
Howard Robert Balloch	Interest of controlled corporation	7,403,644 (Note 5)	–	7,403,644	0.25%
	Beneficial interest	1,161,342	800,000 (Note 3)	1,961,342	0.07%
Peter Humphrey Owen	Beneficial interest	121,342	553,600 (Note 3)	674,942	0.02%
Xiaodan Mei	Beneficial interest	8,000	553,600 (Note 3)	561,600	0.02%
Lap Tat Arthur Wong	Beneficial interest	320,000	553,600 (Note 3)	873,600	0.03%

Notes:

1. *Sherman Investment Holdings Limited ("**Sherman Investment**") is a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Jen. Mr. Jen is deemed to be interested in 1,483,639,818 Shares held by Sherman Investment.*

2. *Mr. Jen is the spouse of Ms. Meichen Amy Yan ("**Ms. Yan**") who is interested in 1,342 Shares. Mr. Jen is deemed to be interested in all the Shares in which Ms. Yan is interested by virtue of the SFO.*

3. *These interests in underlying Shares represent the interests in outstanding options granted pursuant to the Post-IPO share option scheme approved and adopted by the Company on 10 November 2014 (the "**Post-IPO Share Option Scheme**") to subscribe for the relevant number of Shares.*

4. *These Shares were held by Signum International Educational Services Inc. ("**Signum Services**"), a company which is owned as to 51% by Mr. James William Beeke and the remaining balance by his spouse. Mr. James William Beeke is deemed to be interested in all the Shares held by Signum Services.*

5. *These Shares were held by Balloch Investment Holdings Limited ("**Balloch Investment**"), a company which is owned as to 50% by each of Mr. Howard Robert Balloch and his spouse. Mr. Howard Robert Balloch is deemed to be interested in all the Shares held by Balloch Investment.*

Long position in shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of issued shares	Percentage of total issued shares of the associated corporation
Mr. Jen	Sherman Investment	Beneficial interest	50,000	100%

Save as disclosed above, as at 28 February 2019, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 28 February 2019, the following persons or corporations, other than the Directors or the chief executives of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Sherman Investment (Note 1)	Beneficial interest	1,483,639,818	49.80%
Ms. Yan (Note 2)	Interest of spouse	1,507,892,668	50.61%
	Beneficial interest	1,342	0.00%

Notes:

1. *Sherman Investment is wholly-owned by Mr. Jen, and has a direct beneficial interest in 49.80% of the shareholding of the Company.*

2. *Ms. Yan is the spouse of Mr. Jen and, therefore, Ms. Yan is deemed to be interested in all the Shares in which Mr. Jen is interested or deemed to be interested by virtue of the SFO. Mr. Jen is interested in: (i) 24,252,850 Shares, and (ii) 1,483,639,818 Shares held by Sherman Investment.*

Save as disclosed above, as at 28 February 2019, no other person or corporation, other than the Directors or the chief executives of the Company, had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE INCENTIVE SCHEMES

In order to incentivize our Directors, senior management, other employees and consultants for their contribution to the Group and to attract and retain suitable personnel to our Group, we adopted the Pre-IPO Share Option Scheme on 1 April 2008 and on 10 November 2014, adopted the Post-IPO Share Option Scheme and the restricted share units scheme which was subsequently modified by the Board on 28 April 2015 and renamed as the Share Award Scheme (the "**Share Award Scheme**").

For details of the terms of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Share Award Scheme, please refer to the section headed "Share Incentive Schemes" in the report of Directors included in our 2018 annual report.

Pre-IPO Share Option Scheme

The following table discloses movements in the outstanding options granted to all grantees under the Pre-IPO Share Option Scheme.

Grantees	Date of grant	Number of share options outstanding as at 1 September 2018 and 28 February 2019	Exercise period	Exercise price per share option	Vesting period
Employees in aggregate					
11 employees	1 September 2009	323,148	10 years after the date of grant	RMB0.93	Four years from the date of grant
12 employees	2 June 2014	5,978	10 years after the date of grant	RMB0.93	None
Total		**329,126**			

During the six months ended 28 February 2019, no share options were exercised, cancelled or lapsed under the Pre-IPO Option Scheme.

Post-IPO Share Option Scheme

The following table discloses movements in the outstanding options granted to all grantees under the Post-IPO Share Option Scheme.

		Number of share options								
Grantees	Date of grant	Outstanding as at 1 September 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 28 February 2019	Exercise period/date	Exercise price per share option (Note)	Vesting period/ date
Directors										
Shu Liang Sherman Jen	14 June 2018	692,000	–	–	–	(692,000)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
Jingxia Zhang	14 June 2018	2,000,000	–	–	–	(400,000)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
			–	–	–	–	400,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
			–	–	–	–	400,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
			–	–	–	–	400,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
			–	–	–	–	400,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
James William Beeke	14 June 2018	1,000,000	–	–	–	(200,000)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
			–	–	–	–	200,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
			–	–	–	–	200,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
			–	–	–	–	200,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
			–	–	–	–	200,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Howard Robert Balloch	14 June 2018	1,000,000	–	–	–	(200,000)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
			–	–	–	–	200,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
			–	–	–	–	200,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
			–	–	–	–	200,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
			–	–	–	–	200,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Peter Humphrey Owen	14 June 2018	692,000	–	–	–	(138,400)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
			–	–	–	–	138,400	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
			–	–	–	–	138,400	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
			–	–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
			–	–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Xiaodan Mei	14 June 2018	692,000	–	–	–	(138,400)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
			–	–	–	–	138,400	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
			–	–	–	–	138,400	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
			–	–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
			–	–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Lap Tat Arthur Wong	14 June 2018	692,000	–	–	–	(138,400)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
			–	–	–	–	138,400	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
			–	–	–	–	138,400	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
			–	–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
			–	–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Sub-total		**6,768,000**	**–**	**–**	**–**	**(1,907,200)**	**4,860,800**			
Employees in aggregate										
Fourth tranche	14 June 2018	8,620,000	–	–	(180,000)	(8,440,000)	–	1 January 2019 – 31 January 2019	HK$7.22	1 January 2019
Fifth tranche	14 June 2018	8,620,000	–	–	(340,000)		8,280,000	1 January 2020 – 31 January 2020	HK$7.22	1 January 2020
Sixth tranche	14 June 2018	8,620,000	–	–	(340,000)		8,280,000	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
Seventh tranche	14 June 2018	8,620,000	–	–	(340,000)		8,280,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
Eighth tranche	14 June 2018	8,620,000	–	–	(340,000)		8,280,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Sub-total		**43,100,000**	**–**	**–**	**(1,540,000)**	**(8,440,000)**	**33,120,000**			
Total		**49,868,000**	**–**	**–**	**(1,540,000)**	**(10,347,200)**	**37,980,800**			

Note: The closing price of the Shares immediately before the date on which the Options were granted was HK$7.28.

For details of the closing price of the Shares and the fair value of the options granted, please refer to note 18 to the condensed consolidated financial statements included in this interim report.

Share Award Scheme

During the six months ended 28 February 2019, 32,000 Shares were granted and vested under the Share Award Scheme. As at 28 February 2019, the scheme trustee (the "**Trustee**") of the Share Award Scheme held 30,571,818 Shares.

The table below discloses movements in the outstanding Shares granted under the Share Award Scheme.

		Number of share award						
Grantees	Date of grant	Outstanding as at 1 September 2018	Granted during the period	Vested during the period	Forfeited during the period	Outstanding as at 28 February 2019	Vesting period/date	Vesting conditions
Employees in aggregate								
Seventh tranche	3 March 2017	632,000	–	–	(16,000)	616,000	31 May 2019	Subject to performance conditions
Eleventh tranche	12 March 2018	5,190,000	–	–	(112,000)	5,078,000	31 May 2018 - 31 May 2020	Subject to performance conditions
Third tranche	1 March 2016	–	32,000	(32,000)	–	–	31 May 2018	Subject to performance conditions
Total		**5,822,000**	**32,000**	**(32,000)**	**(128,000)**	**5,694,000**		

Note: The vesting date is subject to the completion of certain administrative procedures relevant to the Trustee and the grantees.

UPDATES IN RELATION TO THE QUALIFICATION REQUIREMENT

The Law on Foreign Investment of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") was considered and adopted on 15 March 2019, which shall replace the existing Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), Law on Wholly Foreign-Owned Enterprises (《外資企業法》) and Law on Chinese-Foreign Contractual Joint Ventures (《中外合作經營企業法》) (the "**Three Laws of Foreign Investment**") with effect from 1 January 2020. The adoption of the Foreign Investment Law demonstrated the determination of China to push forward the reform and opening, which will help to further optimize foreign investment environment and regulate foreign investment management.

The Foreign Investment Law has introduced a more accurate definition of foreign investments. Unlike the draft version of the Foreign Investment Law issued by the Ministry of Commerce of the PRC on 19 January 2015 which defines foreign investments by enumerative method to include control by other means (such as contractual arrangements), the Foreign Investment Law provides the possibility of investments by other means to be identified as foreign investments with fallback terms which provide more open and flexible approaches to address new unexpected circumstances. Therefore, contractual arrangements are not defined as a way for foreign investments under the new foreign investment law.

The treatment of the contractual arrangements by the relevant authorities and the integration of the Foreign Investment Law with the Law for Promoting Private Education and its ancillary laws and regulations will become the focus of concern for some time in the future. The Board will continue to watch closely and monitor any implementation updates on the Foreign Investment Law and seek guidance from our PRC legal advisor to ensure compliance with all of the applicable rules and regulations of the PRC by the Group.

For the recent efforts and actions undertaken by the Group to compile with the Qualification Requirement, please refer to the section headed "Connected transactions" in the report of Directors included in our 2018 annual report.

USE OF PROCEEDS

Use of proceeds from the placing and subscription

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

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

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

As at the date of this report, approximately HK$5.4 million has been used for other general corporate purposes to expand and enhance the existing business of the Company.

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

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2019 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu, who has reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

On 1 March 2019, 16,136,042 consideration shares were allotted and issued to Sichuan Wangshi Group Co., Ltd.* by the Company as partial consideration paid for the acquisition of an aggregate of 75% equity interest in Luzhou No. 7 Jiade Education Investment Co.,Ltd.*.

The Company expects that the results of Luzhou No. 7 Jiade Education Investment Co., Ltd.* and Luzhou No. 7 Jiade International School* acquired in Luzhou will be consolidated into the Group's results from March 2019 onward.

CHANGE IN DIRECTOR'S INFORMATION

Change in Director's information is set out below:–

- Mr. Lap Tat Arthur Wong was appointed as an Independent Director of Canadian Solar Inc., a solar energy company listed on NASDAQ (stock code: CSIQ) on 8 March 2019.

Save as disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Hong Kong, 26 April 2019

** For identification purposes only*