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
2021

* For identification purposes only

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CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED
2021 INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Peter Humphrey Owen
Mr. Alan Shaver
Mr. Lap Tat Arthur Wong

AUDIT COMMITTEE

Mr. Lap Tat Arthur Wong *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Alan Shaver

REMUNERATION COMMITTEE

Mr. Peter Humphrey Owen *(Chairman)*
Mr. Alan Shaver
Mr. James William Beeke

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Shu Liang Sherman Jen *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Alan Shaver

COMPANY SECRETARY

Ms. Wan Mun Yee, Sabine*
Ms. Jen Shu Ling#

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang
Ms. Wan Mun Yee, Sabine*
Ms. Jen Shu Ling#

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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

* *Resigned on 28 April 2021*
\# *Appointed on 28 April 2021*

REGISTERED OFFICE

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Grand Cayman, KY1-1104
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Dalian, Liaoning Province 116650
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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8 Fleming Road, Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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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 one of the leading international school operators in terms of student enrollment, from preschool to grade 12 ("**K-12**") education, mainly in the People's Republic of China ("**China**" or the "**PRC**") and Asia-Pacific Area.

Founded in 1995, the Group's headquarter is located in Dalian, Liaoning Province, China. With over twenty six 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 Eastern educational philosophies in 29 cities across countries, such as China, Canada, Malaysia, Singapore and Australia, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Huai'an, Pinghu, Xi'an, Haikou, Weifang, Huzhou, Yancheng, Shenzhen, Xiangyang, Luzhou, Ji'nan, Hohhot, Kamloops, Richmond, Thunder Bay, Kuala Lumpur, Singapore and Adelaide.

At the end of the 2019/2020 school year, a total of over 18,600 high school students have successfully completed our high school program and have been admitted by more than 700 universities and colleges across 30 countries and regions in the world. We have approximately 2,000 high school students graduating in each school year.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

RESULTS

	Six months ended 28 February 2021 RMB'000 (unaudited)	Six months ended 29 February 2020 RMB'000 (unaudited)	Change RMB'000	Percentage Change
Revenue	**1,096,018**	791,813	+304,205	+38.4%
Tuition and boarding fee	**1,013,608**	711,601	+302,007	+42.4%
Others	**82,410**	80,212	+2,198	+2.7%
Gross profit	**475,692**	351,279	+124,413	+35.4%
Profit for the period	**222,241**	263,953	-41,712	-15.8%
Adjusted net profit (Note)	**314,523**	280,493	+34,030	+12.1%
Gross profit margin	**43.4%**	44.4%	-1.0%	-2.3%
Net profit margin	**20.3%**	33.3%	-13.0%	-39.0%
Adjusted net profit margin	**28.7%**	35.4%	-6.7%	-18.9%
Earnings per share				
Basic (RMB cents)	**7.44**	8.81	-1.37	-15.6%
Diluted (RMB cents)	**7.32**	8.81	-1.49	-16.9%

Note:

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. For details, please refer to the section headed "Financial Review" under "Management Discussion and Analysis" in this report.

OPERATIONAL DATA

	As at the end of 28 February 2021	As at the end of 29 February 2020	Change	Percentage Change
Total student enrolment	**44,076**	41,076	+3,000	+7.3%
Total number of schools	**116**	100	+16	+16.0%
Estimated total capacity of students	**73,900**	64,620	+9,280	+14.4%
Overall utilisation rate	**59.6%**	63.6%	-4.0%	-6.3%

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

The 2020/2021 school year is the first year of the Group's sixth five-year plan (from 2020/2021 to 2021/2025 school years) ("**Sixth Five-Year Plan**"). At the six months ended 28 February 2021, our total student enrollment was 44,076, representing an increase of 3,000 students or 7.3% as compared to the corresponding period of last year. During this school year, our global school network has increased from 109 schools as at 31 August 2020 to 116 schools as at 28 February 2021, of which 103 are located in 23 cities in mainland China, and 13 are located in Canada, Malaysia, Singapore and Australia.

Compared with other international schools in the region, Maple Leaf overseas schools have been less impacted by the COVID-19 epidemic for the six months ended 28 February 2021 and are expected to grow significantly after the COVID-19 epidemic. For the six months ended 28 February 2021, our overseas schools contributed 30.2% of the total revenue of the Group, and enrolled 9.3% of students. The Group will continue to invest in overseas schools, especially along the Belt and Road countries, and we expect that overseas schools will account for 40% or more of the Group's total revenue at the end of Sixth Five-Year Plan.

As of 28 February 2021, 1,778 Maple Leaf high school students of the class of 2021 have received over 4,124 offer letters from universities in 12 countries. Among them, 99 students received offer letters from QS top 10 universities in the world, including Imperial College London and University College London. In addition, 1,175 students, approximately 64.9% of whom, received at least one offer letter from the Maple Leaf Education Global Top 100 universities.

In order to provide Maple Leaf graduates with a wider range of further education opportunities, the Group has entered into cooperation agreements with 16 well-known domestic universities, such as the Beijing Foreign Studies University, Beijing Institute of Technology, etc. These universities offer programs in various disciplines in cooperation with overseas universities. We will continue to increase cooperation with Chinese domestic universities, and offer a variety of options to our high school graduates.

In the beginning of the 2020/2021 school year, the Maple Leaf World School Program ("**World School Program**") was officially launched in China and we have completed the first year of high school enrollment. It is the first international program with oriental cultural characteristics in the world. World School Program cooperates with two of the world's largest educational institutions, benchmarking by UK ENIC (formerly UK NARIC), and accreditation by Cognia (formerly AdvancED). As of 28 February 2021, we have received official support letters from 105 universities in 12 countries. We are confident that World School Program will become a top international education program equivalent to the A-Level and International Baccalaureate (the "**IB**") programs in the future.

On 27 January 2021, the Company issued Convertible Bonds (the "**Bonds**") with the principal amount of US$125 million to raise funds for repayment of existing borrowings, acquisitions-related expenses and general corporate purposes. Based on the initial Conversion Price (subject to adjustments) of HK$2.525 per Share and assuming full conversion of the Bonds, the Bonds will be convertible into approximately 383,881,188 New Shares (subject to adjustments). Permission for the listing of, and dealing in, the Bonds became effective on 28 January 2021. Please refer to the announcements and circular of the Company dated 13 January 2021, 27 January 2021 and 28 January 2021 for further details.

THE GROUP'S MARKET POSITION

With over 26 years of experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering high quality, bilingual K-12 education, combining the merits of both Western and Eastern educational philosophies. Our preschools provide an advanced Chinese and English program in a happy learning environment that ensures "whole child" development, and cultivates each child's bilingual proficiency. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes and school-based curriculum, aiming to cultivate students' English ability and comprehensive literacy. Our high schools provide World School Program at the commencement of the 2020/2021 school year. Our unique programs and systems are designed to cultivate elite talents with a global perspective and proficiency in Chinese culture and wisdom.

Kingsley International School ("**KIS**") offers A-Level to K-12 students in Malaysia. Canadian International School ("**CIS**") offers the IB curriculum to K-12 students across two campuses, the Tanjong Katong campus and the Lakeside campus, in Singapore. CIS is well known for its highly acclaimed bilingual English/Chinese program where students are fully immersed culturally and taught by qualified native English speakers who are also IB-certified.

The Group targets mainly Chinese students from increasingly affluent middle-income families in China who aim to pursue higher education abroad and for whom our tuition fees are affordable and competitive. The Group mainly operates its schools in China under the "Maple Leaf" brand, most of which are located in second and third-tier cities in China (with the exception of Shanghai and Shenzhen being first-tier cities).

KIS targets mainly local students and also international students primarily from Asian countries, while CIS is one of the largest for-profit premium international schools in Singapore in terms of revenue and student enrolment, and targets expatriate families employed in Singapore, especially those from China, South Korea, the US and India and international students from Asian countries.

BUSINESS REVIEW

Student Enrolment

	At 28 February 2021	**% of Total**	At 29 February 2020	% of Total
High school	**7,400**	**16.8**	7,360	17.9
Middle school	**10,020**	**22.7**	9,131	22.2
Elementary school	**21,514**	**48.8**	19,565	47.6
Preschool	**4,875**	**11.1**	4,620	11.3
Foreign national school	**267**	**0.6**	400	1.0
Total number of students enrolled	**44,076**	**100**	41,076	100

The total number of students enrolled increased by 3,000 or 7.3% from 41,076 for the six months ended 29 February 2020 to 44,076 for the six months ended 28 February 2021, which was primarily due to the acquisition of KIS in Malaysia and CIS in Singapore, and improvement of school utilization rate in Haikou, Ji'nan and Hohhot.

We have nearly completed the construction of a pyramid-shaped student structure, which meets the needs of internal student enrollment for high schools, and will continue to develop in a balanced manner according to this structure.

Average Tuition Fee per Student

	For the six months ended 28 February 2021	29 February 2020
Tuition fees (RMB'000)	**1,013,608**	711,601
Average student enrolment*	**44,840**	41,158
Annualized Average tuition fee per student# (RMB'000)	**45.2**	34.6

* *Average student enrolment is calculated as the average of the total number of students enrolled at the end of six months ended 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.*

The annualized average tuition fee per student increased by approximately 30.6% was primarily due to the tuition fee rate charged in CIS being much higher as compared to the average tuition fee rate charged by the Group's remaining schools.

The Group's Schools

Eight new schools were added to the Group's school network for the six months ended 28 February 2021, including an elementary school and a middle school in Horinger New Area, Hohhot, Inner Mongolia autonomous region; a high school in Ji'nan, Shandong Province; an elementary school and a preschool in Dalian, Liaoning Province; a preschool in Xiangyang, Hubei Province; an elementary school in Tianjin and a preschool in Yiwu, Zhejiang Province.

As at 28 February 2021, the Group had 116 schools located in 29 cities across countries such as China, Canada, Malaysia, Singapore and Australia, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Huai'an, Pinghu, Xi'an, Haikou, Weifang, Huzhou, Yancheng, Shenzhen, Xiangyang, Luzhou, Ji'nan, Hohhot, Kamloops, Richmond, Thunder Bay, Kuala Lumpur, Singapore and Adelaide. The following table shows a summary of the Group's schools by category as at the end of the two periods:

	At 28 February 2021	At 29 February 2020
High schools	**18**	16
Middle schools	**29**	26
Elementary schools	**33**	27
Preschools	**33**	28
Foreign national schools	**3**	3
Total	**116**	100

Capacity and Utilization of the Group's Schools

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

	At 28 February 2021	At 29 February 2020
Total number of students enrolled	**44,076**	41,076
Total estimated capacity	**73,900**	64,620
Overall utilization	**59.6%**	63.6%

Total estimated capacity for students increased from 64,620 for the six months ended 29 February 2020 to 73,900 for the six months ended 28 February 2021 due to the addition of eight new schools during the six months ended 28 February 2021. The 4.0% decrease in the overall utilization rate was because the utilization rates in existing schools in Ji'nan, Weifang, Huzhou and Pinghu and newly acquired schools in Malaysia were lower than the overall utilization rate of the Group.

The Group's Teachers

Teachers are the key to maintaining high-quality educational programs and services as well as maintaining our brand and reputation. Our certified teachers form a core group within our teaching staff, allowing us to maintain the quality of our educational services while undergoing expansion. Our Group has established a global recruitment office (the "**Global Recruitment Office**") to recruit high school foreign teachers and ESL foreign teachers worldwide. The establishment of the Global Recruitment Office ensures both the quality and quantity of Maple Leaf foreign teachers and satisfies the development needs of the Group's Sixth Five-Year Plan.

	At 28 February 2021	At 29 February 2020
Total number of certified teachers	**3,902**	3,521

The total number of certified teachers increased from 3,521 for the six months ended 29 February 2020 to 3,902 for the six months ended 28 February 2021 primarily because of the acquisition of CIS, which has 297 IB-certified teachers. Our student-teacher ratio slightly decreased from 11.7:1 for the end of the six months ended 29 February 2020 to 11.3:1 for the six months ended 28 February 2021.

RECENT BUSINESS UPDATE

Growth in Student Enrolment as at 31 March 2021

	As at 31 March		Change	Percentage Change
	2021	2020		
Total number of students enrolled	**46,034**	43,572	+2,462	+5.6%

The total number of students enrolled as at 31 March 2021 was approximately 46,034, representing an increase of 5.6% as compared to the corresponding period of last year; and there are approximately 4,197 students, representing 9.1% of total enrolment, studying at Maple Leaf schools overseas. The increase of student enrollment compared to the corresponding period last year was primarily due to the acquisition of CIS in Singapore, and improvement of school utilization rate in Haikou, Ji'nan, and Hohhot.

The financial year of the Group ends on 31 August each year, while its school year normally runs from the beginning of September each year to the middle of July in the next year and each school year is divided into two terms in China. The number of students enrolled may vary from time to time in each school year. The above student enrolment numbers as at 31 March represent unaudited internal statistics of the total number of students enrolled and shall be used for comparison purposes only.

Development in New Schools Opening

The Group opened a preschool in Tianjin Teda campus in March 2021. An elementary school and a middle school will be opened in Tianjin Eco-city and a high school will be opened in Horinger New Area, Hohhot, in Inner Mongolia autonomous region at the beginning of the 2021/2022 school year. We expect to open schools at Hillside campus in Singapore, Brockville campus in Canada, and in Nanjing and Shenzhen in China at the beginning of the 2022/2023 school year.

University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. Although affected by the COVID-19 epidemic globally, as of 20 April 2021, 1,778 Maple Leaf high school students of the class of 2021 have received over 5,637 offer letters from universities in 14 countries. In addition, 121 of our students have received offer letters from QS Top 10 universities including prestigious University College London and Imperial College London in the United Kingdom. In addition, 1,368 students, approximately 76.9% of whom, received at least one offer letter from the Maple Leaf Education Global Top 100 universities.

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

FUTURE DEVELOPMENT

Our goal is to become one of the largest international school operators in the world. The Group has implemented the Sixth Five-Year Plan at the commencement of the 2020/2021 school year to map its future development.

Educational School District Development Strategy

Under the School District Development Strategy, across the Sixth Five-Year Plan period, the Group intends to establish (i) up to 10 school districts in the PRC with a target enrollment of 100,000 students; and (ii) two offshore school districts with a target enrollment of at least 10,000 students. The Group aims to build Maple Leaf World Schools in approximately 50 cities worldwide, with around 150 campuses within and outside of the PRC, and a total target enrollment of around 110,000 students. Implementation of this strategy is expected to enable the Group to become one of the largest international school operators in the world.

Standard Implementation Strategy

Under the Standard Implementation Strategy, the Group launched the World School Program, China's first internationally accredited curriculum with self-developed intellectual property, at the commencement of the 2020/2021 school year. The Group's first batch of graduates from the World School Program will receive the Maple Leaf High School Graduation Diplomas in June 2023, endorsed by Cognia. The World School Program was developed by Maple Leaf curriculum experts and meets high academic and curriculum standards, which will prepare students well for entering into the world's top ranked universities. The World School Program has obtained a benchmarking agreement with UK ENIC (formerly UK NARIC) and accreditation of Cognia – two of the world's most recognised certification institutions – providing further assurance that Maple Leaf graduates will be able to transition to universities across the globe seamlessly.

Overseas Expansion

Overseas expansion is an important part of the Group's long-term growth strategy. The Group believes that a global presence of Maple Leaf branded schools will help the Group's student recruitment in China as Chinese parents recognize that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also in other regions of the world, such as Southeast Asia and North America. Accordingly, the Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL programs, it is precisely positioned to meet the demand for quality international K-12 education along the Belt and Road countries, where there is a demand for blending the best of Western and Eastern cultures. The Group will further expand its school network under the brand of CIS and IB in the Southeast Asian countries.

Conclusion

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

OTHER INFORMATION

Issuance of US$125 million 2.25% Convertible Bonds due 2026

On 12 January 2021, the Company entered into the Subscription Agreement (the "**Subscription Agreement**") with UBS AG Hong Kong Branch (the "**Manager**"), under which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Convertible Bonds (the "**Bonds**") in an aggregate principal amount of US$125 million. The estimated net proceeds from the subscription of the Bonds, after deduction of underwriting commission and expenses, amount to approximately US$123.1 million. The Company intends to use the net proceeds from the issuance of the Bonds for repayment of existing borrowings, acquisitions-related expenses and general corporate purposes. Based on the initial Conversion Price (subject to adjustments) of HK$2.525 per Share and assuming full conversion of the Bonds, the Bonds will be convertible into approximately 383,881,188 New Shares (subject to adjustments). The New Shares are to be issued under the General Mandate. The issue of the Bonds is not subject to the specific approval of the Shareholders.

The Bonds bear interest on their outstanding principal amount from and including 27 January 2021 at the rate of 2.25% per annum, payable semi-annually in arrears on 27 January and 27 July in each year until the Maturity Date. Subject to the conditions as stipulated in the Subscription Agreement, each Bond shall entitle the Bondholder to convert such Bond into New Shares credited as fully paid at any time during the Conversion Period. Permission for the listing of, and dealing in, the Bonds became effective on 28 January 2021.

As at 28 February 2021, all the proceeds had been applied for the repayment of existing borrowings, acquisitions-related expenses and general corporate purposes. Please refer to the announcements and circular of the Company dated 13 January 2021, 27 January 2021 and 28 January 2021 for further details.

As at 28 February 2021, no conversion related to the Bonds was exercised by the Bondholders.

FINANCIAL REVIEW

For the six months ended 28 February 2021, total revenue increased by 38.4%, from RMB791.8 million to RMB1,096.0 million; net profit decreased by 15.8%, from RMB264.0 million to RMB222.2 million and adjusted net profit increased by 12.1%, from RMB280.5 million to RMB314.5 million respectively, as compared with that of 29 February 2020.

Revenue

For the six months ended 28 February 2021, the Group derives revenue from (i) tuition fees from the Group's high schools, middle schools, elementary schools, preschools and foreign national schools, (ii) the sale and lease of textbooks and other educational materials to the Group's students, and (iii) other educational services.

The total revenue of the Group increased by RMB304.2 million, or 38.4%, from RMB791.8 million for the six months ended 29 February 2020 to RMB1,096.0 million for the six months ended 28 February 2021, primarily due to the increase in revenue from tuition fees by RMB302.0 million and the increase in revenue from other sources by RMB2.2 million. Amongst the total revenue of the Group for the six months ended 28 February 2021, RMB765.5 million (approximately 69.8%) is contributed by the operations in PRC with the remaining RMB330.6 million (approximately 30.2%) contributed by the operation overseas.

Revenue from tuition fees increased by 42.4% from RMB711.6 million for the six months ended 29 February 2020 to RMB1,013.6 million for the six months ended 28 February 2021, mainly due to (i) revenue generated from newly acquired overseas schools, KIS and CIS and (ii) an increase in tuition fee rate. Revenue from others increased by 2.7% from RMB80.2 million for the six months ended 29 February 2020 to RMB82.4 million for the six months ended 28 February 2021, mainly due to the addition of other educational services provided by CIS and KIS to students.

Cost of Revenue

The Group's cost of revenue primarily consists of (i) staff costs, (ii) depreciation and amortisation, and (iii) other costs. Staff costs consist of salaries and benefits paid to the Group's teachers and other teaching staff. Depreciation and amortisation relate to property and equipment, right-of-use assets, intangible assets and investment properties. Other costs include daily operating expenses of the Group's schools and facilities, including the utility costs, the cost of furniture and the cost of maintaining facilities at the Group's schools.

Cost of revenue increased by RMB179.8 million, or 40.8%, from RMB440.5 million for the six months ended 29 February 2020 to RMB620.3 million for the six months ended 28 February 2021. The increase was largely due to the addition of cost of revenue from the newly acquired overseas schools, KIS and CIS.

Teaching staff costs increased by 37.4% from RMB282.6 million for the six months ended 29 February 2020 to RMB388.3 million for the six months ended 28 February 2021, primarily due to an increase in the number of teachers from 3,521 as at 29 February 2020 to 3,902 as at 28 February 2021. Depreciation and amortization increased from RMB62.2 million for the six months ended 29 February 2020 to RMB128.1 million for the six months ended 28 February 2021, primarily due to the additional depreciation charge for our schools in KIS and CIS during the period.

Gross Profit

As a result of the foregoing, gross profit increased by 35.4% from RMB351.3 million for the six months ended 29 February 2020 to RMB475.7 million for the six months ended 28 February 2021. Our gross margin slightly decreased from 44.4% for the six months ended 29 February 2020 to 43.4% for the six months ended 28 February 2021, primarily due to the gross profit margin in overseas schools being slightly lower than that in schools situated in mainland China.

Investment and Other Income

Investment and other income consist mainly of (i) interest income from our bank deposits, (ii) rental income from investment properties and (iii) government grants. Investment and other income increased by 61.7% from RMB28.8 million for the six months ended 29 February 2020 to RMB46.6 million for the six months ended 28 February 2021. Bank interest income increased by 119.1% from RMB11.6 million for the six months ended 29 February 2020 to RMB25.3 million for the six months ended 28 February 2021 primarily due to the interest income from pledged bank deposits under the NBWD arrangement.

For the six months ended 28 February 2021, government grants increased by RMB6.2 million primarily due to more COVID-19 related subsidies received from government during this period.

Other Gains and Losses

Other gains and losses consist primarily of (i) changes in fair value of Convertible Bonds, (ii) changes in fair value of financial assets measured at FVTPL, (iii) net foreign exchange gain or loss, and (iv) impairment of property, plant and equipment. Other gains and losses decreased from a gain of RMB19.1 million for the six months ended 29 February 2020 to a loss of RMB32.3 million for the six months ended 28 February 2021. The decrease was mainly attributable to (i) loss arising from changes in fair value of Convertible Bonds of RMB40.6 million and (ii) a decrease on gain arising from changes in fair value of financial assets measured at FVTPL by RMB18.8 million.

Marketing Expenses

Marketing expenses mainly consist of (i) commercials and expenses for producing, printing and distributing advertising and promotional materials and (ii) salaries and benefits for personnel engaged in selling and marketing activities. Marketing expenses increased by 2.1% from RMB15.5 million for the six months ended 29 February 2020 to RMB15.9 million for the six months ended 28 February 2021. Marketing expenses as a percentage of revenue decreased from 2.0% for the six months ended 29 February 2020 to 1.4% for the six months ended 28 February 2021, primarily due to a decrease in advertising and promotional expenses and student placement related expenses.

Administrative Expenses

Administrative expenses consist primarily of (i) salaries and other benefits for general and administrative staff, (ii) depreciation of office buildings and equipment, (iii) travel expenses, (iv) employee share-based payments and (v) certain professional expenses. Administrative expenses increased by 57.2% from RMB102.9 million for the six months ended 29 February 2020 to RMB161.7 million for the six months ended 28 February 2021, mainly attributed from the addition of administrative expenses by newly acquired overseas schools, KIS and CIS. Administrative expenses as a percentage of total revenue increased from 13.0% for the six months ended 29 February 2020 to 14.8% for the six months ended 28 February 2021 as a result of the acquisition of KIS and CIS.

Finance Costs

For the six months ended 28 February 2021, finance costs were mainly represented by interest expenses and related bank arrangement fees for secured bank borrowings. Finance costs increased from RMB8.1 million for the six months ended 29 February 2020 to RMB67.2 million for the six months ended 28 February 2021 primarily due to the utilizations of bank borrowings to finance the KIS and CIS acquisitions.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB245.3 million for the six months ended 28 February 2021, compared to RMB272.7 million for the six months ended 29 February 2020. Profit before taxation as a percentage of revenue of the Group was 22.4% for the six months ended 28 February 2021, compared with 34.4% for the six months ended 29 February 2020.

Taxation

Income tax expense of the Group increased from RMB8.7 million for the six months ended 29 February 2020 to RMB23.0 million for the six months ended 28 February 2021, mainly due to the addition of enterprise income tax (the "**EIT**") expenses recognized by CIS. The effective tax rates of the Group for the six months ended 28 February 2021 and 29 February 2020 were 9.4% and 3.2% respectively. The increase in the Group's effective tax rate was primarily due to the EIT expenses recognized by CIS.

Profit for the Period

As a result of the above factors, profit for the period of the Group decreased by 15.8% from RMB264.0 million for the six months ended 29 February 2020 to RMB222.2 million for the six months ended 28 February 2021. The decrease in profit for the six months ended 28 February 2021 is mainly due to (i) loss arising from the changes in fair value of Convertible Bonds; (ii) increase in amortization of other intangible assets and depreciation of properties arising from acquisition and (iii) increase in finance costs.

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 2021	29 February 2020
	RMB'000	RMB'000
Profit for the period	**222,241**	263,953
Add:		
Amortization of other intangible assets and depreciation of properties arising from acquisition	**45,007**	5,500
Changes in fair value of Convertible Bonds	**40,607**	–
Share-based payments	**6,668**	11,040
Adjusted net profit	**314,523**	280,493

Adjusted net profit for the six months ended 28 February 2021 increased by RMB34.0 million or 12.1%. Adjusted net profit margin was 28.7% for the six months ended 28 February 2021, compared with 35.4% for the six months ended 29 February 2020.

Capital Expenditures

For the six months ended 28 February 2021, the Group paid RMB141.7 million for property and equipment primarily related to the new campus in Tianjin (Eco-city), campus expansion in Wuhan and additional dormitory building in Shanghai. For the six months ended 29 February 2020, the Group paid RMB140.8 million for campus expansion in Wuhan and campus acquisition in Brockville, Canada.

Liquidity, Financial Resources and Capital Structure

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

	Six months ended	
	28 February 2021	29 February 2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(238,429)**	(424,571)
Net cash used in investing activities	**(93,463)**	(72,913)
Net cash used in financing activities	**(64,611)**	(167,325)
Net decrease in cash and cash equivalents	**(396,503)**	(664,809)
Cash and cash equivalents as at 1 September	**1,310,907**	2,762,328
Effect of changes in foreign exchange rate	**2,443**	(2,636)
Cash and cash equivalents as at the end of the period represented by bank balances and cash	**916,847**	2,094,883

As at 28 February 2021, the Group's bank balances and cash amounted to RMB916.8 million, which were mainly denominated in RMB and SGD. Bank balances and cash decreased mainly because the cash were used for the acquisition of KIS and CIS. Net cash used in operating activities decreased by RMB186.1 million, which were primarily due to additional tuition fee being collected during the interim period, as tuition fee from overseas schools were collected by school terms instead of school year.

As at 28 February 2021, the Group's bank borrowings were RMB2,715.0 million which were mainly denominated in SGD, with variable interest rates with reference to Singapore Interbank Offered Rate. Of the Group's bank borrowings as at 28 February 2021, 62.2% will mature within one year and the remaining 37.8% will mature after one year. These bank borrowings were secured by the Group's bank deposits and investment properties. Out of total bank borrowings, the borrowings amounting to RMB1,379.2 million was secured by onshore cash.

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

Gearing Ratio

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial period. Gearing ratio decreased from 78.5% for the year ended 31 August 2020 to 73.8% for the six months ended 28 February 2021 primarily due to the repayment of banking borrowings during the period.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures and liabilities are denominated in foreign currencies such as HKD, USD, CAD, MYR and SGD. As at 28 February 2021, certain bank balances and cash and liabilities were denominated in HKD, USD, CAD and SGD. The Group did not enter into any financial arrangement for hedging purposes as it is expected that its foreign exchange exposure will not be material.

Contingent Liabilities

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

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

On 29 January 2018, Zhixin filed its amended statement of claim to allege that it is entitled to 17,500,000 shares of the Company by virtue of an option provided in the Agreement. The 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 2021, the Company has not made any provision in respect of the Zhixin Case. The Company will provide an update as and when there is any material development in this matter.

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

Pledge of Assets

As at 28 February 2021, the Group pledged a total bank deposits of RMB1,562.4 million and certain investment properties with an aggregate carrying amount of RMB335.2 million to certain licenced banks for certain banking facilities.

Material Acquisition and Disposal of Subsidiaries

Save as disclosed above, the Group had no other material acquisition and disposal of subsidiaries during the six months ended 28 February 2021.

Significant Investment Held

As at 28 February 2021, no significant investment was held by the Group.

Employee Benefits

As at 28 February 2021, the Group had 6,623 (as at 29 February 2020: 6,054) full-time employees. The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a post-IPO share option scheme, a share award scheme, an employee share purchase plan and a pension plan set up for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, results and performance of the Group and relevant market conditions. Total employee remuneration (including directors' remuneration) for the six months ended 28 February 2021 amounted to RMB489.3 million (as at 29 February 2020: RMB366.1 million).

Pension Plan

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

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

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 20 to 46, which comprise the condensed consolidated statement of financial position as of 28 February 2021 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 Accounting 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

28 April 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 28 February 2021

	NOTES	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Revenue	3	**1,096,018**	791,813
Cost of revenue		**(620,326)**	(440,534)
Gross profit		**475,692**	351,279
Investment and other income	4	**46,632**	28,834
Other gains and losses	5	**(32,273)**	19,091
Marketing expenses		**(15,867)**	(15,542)
Administrative expenses		**(161,739)**	(102,866)
Finance costs		**(67,155)**	(8,125)
Profit before taxation		**245,290**	272,671
Taxation	6	**(23,049)**	(8,718)
Profit for the period	7	**222,241**	263,953
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		**(22,481)**	(6,618)
Total comprehensive income for the period		**199,760**	257,335
Profit for the period attributable to:			
Owners of the Company		**220,921**	261,674
Non-controlling interests		**1,320**	2,279
		222,241	263,953
Total comprehensive income attributable to:			
Owners of the Company		**198,440**	255,056
Non-controlling interests		**1,320**	2,279
		199,760	257,335
EARNINGS PER SHARE			
Basic (RMB cents)	9	**7.44**	8.81
Diluted (RMB cents)	9	**7.32**	8.81

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2021

	NOTES	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	10	**3,792,863**	3,842,542
Right-of-use assets		**485,675**	503,975
Investment properties		**335,186**	348,741
Goodwill	11	**2,374,148**	2,449,342
Other intangible assets		**934,121**	1,004,663
Deposit paid for acquisition of property and equipment		**7,684**	8,996
Books for lease		**1,212**	1,350
Pledged bank deposits		**133,871**	132,000
		8,064,760	8,291,609
Current Assets			
Inventories		**12,907**	18,487
Deposits, prepayments and other receivables	12	**127,222**	174,088
Financial assets at fair value through profit or loss		**17,750**	12,905
Pledged bank deposits		**1,428,531**	1,412,668
Restricted cash	13	**48,640**	48,566
Bank balances and cash		**916,847**	1,310,907
		2,551,897	2,977,621
Current Liabilities			
Contract liabilities	14	**937,005**	1,506,002
Lease liabilities		**29,656**	30,641
Other payables and accrued expenses	15	**451,465**	628,088
Income tax payable		**103,587**	116,300
Borrowings	16	**1,689,014**	2,303,062
		3,210,727	4,584,093
Net Current Liabilities		**(658,830)**	(1,606,472)
Total Assets Less Current Liabilities		**7,405,930**	6,685,137

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2021

	NOTES	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Capital And Reserves			
Share capital		**9,309**	9,309
Reserves		**4,735,043**	4,517,653
Equity attributable to owners of the Company		**4,744,352**	4,526,962
Non-controlling interests		**85,711**	96,673
Total Equity		**4,830,063**	4,623,635
Non-Current Liabilities			
Deferred tax liabilities		**315,800**	333,592
Borrowings	16	**1,026,033**	1,327,504
Lease liabilities		**158,484**	170,335
Consideration payable		**201,365**	203,225
Contingent consideration		**26,488**	26,846
Convertible bonds	17	**847,697**	–
		2,575,867	2,061,502
		7,405,930	6,685,137

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2021

	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 1 September 2019 (audited)	9,309	1,162,552	(1,540)	(23,855)	13,463	251,717	31,106	2,710,151	4,152,903	92,872	4,245,775
Profit for the period	–	–	–	–	–	–	–	261,674	261,674	2,279	263,953
Other comprehensive expense for the period	–	–	–	–	(6,618)	–	–	–	(6,618)	–	(6,618)
Total comprehensive income for the period	–	–	–	–	(6,618)	–	–	261,674	255,056	2,279	257,335
Share-based payments	–	–	–	–	–	–	11,040	–	11,040	–	11,040
Dividends recognized as distribution	–	(150,656)	–	–	–	–	–	–	(150,656)	–	(150,656)
Dividends distributed to the restricted share award scheme	–	1,189	–	–	–	–	–	–	1,189	–	1,189
Shares vested under restricted share award scheme	–	–	–	425	–	–	(520)	95	–	–	–
At 29 February 2020 (unaudited)	9,309	1,013,085	(1,540)	(23,430)	6,845	251,717	41,626	2,971,920	4,269,532	95,151	4,364,683
At 1 September 2020 (audited)	**9,309**	**1,013,030**	**(1,540)**	**(22,280)**	**15,589**	**271,740**	**45,375**	**3,195,739**	**4,526,962**	**96,673**	**4,623,635**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220,921**	**220,921**	**1,320**	**222,241**
Other comprehensive expense for the period	**-**	**-**	**-**	**-**	**(22,481)**	**-**	**-**	**-**	**(22,481)**	**-**	**(22,481)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(22,481)**	**-**	**-**	**220,921**	**198,440**	**1,320**	**199,760**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**6,668**	**-**	**6,668**	**-**	**6,668**
Acquisition of additional interest in a subsidiary (note c)	**-**	**-**	**12,282**	**-**	**-**	**-**	**-**	**-**	**12,282**	**(12,282)**	**-**
At 28 February 2021 (unaudited)	**9,309**	**1,013,030**	**10,742**	**(22,280)**	**(6,892)**	**271,740**	**52,043**	**3,416,660**	**4,744,352**	**85,711**	**4,830,063**

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 *During the current period, a non-controlling interest shareholder of a subsidiary of the Group settled its amount due to the subsidiary in exchange of its equity interest in the subsidiary. This transaction is recorded as an equity transaction with the difference of the amount settled and the book value of additional equity interest obtained by the Company recorded as other reserve.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 28 February 2021

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Net cash used in operating activities	**(238,429)**	(424,571)
Net cash used in investing activities:		
Net cash inflow of consideration adjustment on acquisition of a subsidiary	**45,375**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**26,486**	1,736,525
Proceeds on disposal of property, plant and equipment	**9,657**	77
Purchase of property, plant and equipment	**(141,743)**	(140,799)
Purchase of financial assets at fair value through profit or loss	**(30,618)**	(1,650,800)
Net cash outflow on acquisition of a subsidiary	**(2,047)**	(6,750)
Purchase of books for lease	**(499)**	(651)
Placement of restricted cash	**(74)**	(225)
Payments for right-of-use assets	**–**	(46)
Purchase of investment property	**–**	(10,244)
	(93,463)	(72,913)
Net cash used in financing activities:		
Proceeds on issue of convertible bonds	**808,551**	–
Dividends paid	**–**	(149,467)
Repayment of borrowings	**(808,095)**	(2,428)
Interest paid	**(39,535)**	(5,100)
Repayment of leases liabilities	**(17,394)**	(10,330)
Payment of convertible bonds issuance costs	**(8,138)**	–
	(64,611)	(167,325)
Net decrease in cash and cash equivalents	**(396,503)**	(664,809)
Cash and cash equivalents at the beginning of the period	**1,310,907**	2,762,328
Effect of foreign exchange rate changes	**2,443**	(2,636)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**916,847**	2,094,883

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2021

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.

In preparing the consolidated financial statements, the board of directors (the "**Directors**") has given careful consideration of the future liquidity of the Group in light of the fact that as at 28 February 2021 the Group had net current liabilities of RMB658,830,000.

The Directors consider that it is appropriate to prepare the condensed consolidated financial statements on the going concern basis taking into accounts the cash flow forecast prepared by the management of the Company and the nature of current liabilities and the Directors expect that operating activities can contribute substantial cash inflow to repay the current liabilities when due.

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**"), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the annual period beginning on or after 1 September 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions".

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and accounting policies on application of Amendments to IFRS 3 "Definition of a Business"

2.1.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 September 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.1.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Convertible bonds

Convertible bonds issued by the Company can be converted into the share capital of the Company at the option of the investor.

The Group designates convertible bonds denominated in a currency other than the functional currency of the Company as financial liabilities designated as at fair value through profit or loss ("**FVTPL**"). The convertible bonds are initially recognised at fair value. In the subsequent measurement, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, and the remaining amount of change in the fair value of convertible bonds is recognised in profit or loss. Changes in fair value attributable to the convertible bonds' credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the convertible bonds.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 New and amendments to IFRSs in issue but not yet effective

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1 classification of liabilities as current or non-current which is effective for annual periods beginning on or after 1 January 2023, provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- Specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- Clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

As at 28 February 2021, the Group's convertible bonds include counterparty conversion options that do not meet equity instruments classification by applying IAS 32. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The convertible bonds were designated as at FVTPL with carrying amount of RMB847,697,000 as at 28 February 2021 and is classified as non-current as set out in Note 17. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible bonds. Given that the convertible options are exercisable on or after 9 March 2021, the convertible bonds designated as at FVTPL would be reclassified to current liabilities as the holders have the option to convert within twelve months.

3. REVENUE AND SEGMENT INFORMATION

3A. Disaggregation of revenue from contracts with customers:

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Types of goods or services		
Tuition and boarding fees	**1,013,608**	711,601
Sales of textbooks	**26,789**	30,341
Summer and winter camps	**–**	3,373
Others	**55,621**	46,498
	1,096,018	791,813
Geographical markets		
PRC	**765,453**	784,032
Overseas	**330,565**	7,781
	1,096,018	791,813
Timing of revenue recognition		
Over time	**1,024,087**	725,764
A point in time	**71,931**	66,049
	1,096,018	791,813

3B. Operating Segments

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Following the acquisition of Star Readers Pte. Ltd. in Singapore on 26 August 2020, the Group's international school education business in overseas starts to contribute significant portion of revenue and profits. Starting from this interim period, discrete segment information is developed and reported to the CODM. Specifically, the Group's reportable segments under *IFRS 8* are as follows:

1. PRC Segment
2. Overseas Segment

3. REVENUE AND SEGMENT INFORMATION (Continued)

3B. Operating Segments (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
For the six months ended 28 February 2021 (unaudited)			
Segment revenue	**765,453**	**330,565**	**1,096,018**
Segment profit	**200,076**	**54,988**	**255,064**
Unallocated items:			
Directors' and chief executives' emoluments			**(7,340)**
Corporate administrative expense			**(2,434)**
Group's profit before income tax			**245,290**

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
For the six months ended 29 February 2020 (unaudited)			
Segment revenue	784,032	7,781	791,813
Segment profit	291,923	(5,964)	285,959
Unallocated items:			
Directors' and chief executives' emoluments			(8,150)
Corporate administrative expense			(5,138)
Group's profit before income tax			272,671

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of corporate administrative expense and directors' and chief executives' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

3. REVENUE AND SEGMENT INFORMATION (Continued)

3B. Operating Segments (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Segment assets		
PRC segment	**6,019,555**	6,441,595
Overseas segment	**4,597,102**	4,827,635
Consolidated assets	**10,616,657**	11,269,230

	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Segment liabilities		
PRC segment	**3,682,826**	4,401,066
Overseas segment	**2,103,768**	2,244,529
Consolidated liabilities	**5,786,594**	6,645,595

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments. Assets and liabilities used jointly by operating segments are allocated to the PRC segment as the amount is insignificant.

4. INVESTMENT AND OTHER INCOME

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Bank interest income	**25,328**	11,558
Government grant	**14,439**	7,965
Rental income from investment properties	**6,165**	9,238
Others	**700**	73
	46,632	28,834

During the current interim period, the Group recognised government grants of RMB6,223,000 in respect of Covid-19-related subsidies.

5. OTHER GAINS AND LOSSES

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Reversal of other payables	**7,113**	6,128
Net foreign exchange gain	**2,663**	533
Gain arising from changes in fair value of financial assets measured at FVTPL	**1,321**	20,148
Loss arising from fair value changes of convertible bond	**(40,607)**	–
Loss on disposal of property, plant and equipment	**(1,495)**	(82)
Loss arising from fair value changes of contingent consideration	**(578)**	–
Impairment loss in respect of property, plant and equipment	**–**	(7,276)
Others	**(690)**	(360)
	(32,273)	19,091

6. TAXATION

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
The charge comprises		
Current tax:		
PRC enterprise income tax	**11,907**	10,552
Singapore enterprise income tax	**19,648**	–
Deferred tax:		
Current period	**(8,506)**	(1,834)
	23,049	8,718

7. PROFIT FOR THE PERIOD

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	464,852	339,470
– retirement benefit scheme contributions	17,828	15,546
– share-based payments	6,668	11,040
Total staff costs	489,348	366,056
Gross rental income from investment properties	(6,165)	(9,238)
Less:		
Direct operating expenses incurred for investment properties (included in administrative expenses)	816	817
	(5,349)	(8,421)
Depreciation of property, plant and equipment	76,350	43,235
Loss arising from fair value changes of convertible bonds	40,607	–
Amortisation of intangible assets	38,019	5,971
Depreciation of right-of-use assets	19,846	16,242
Depreciation of investment properties	2,025	2,068
Amortization of books for lease	637	831
Loss arising from fair value changes of contingent consideration	578	–
Covid-19-related rent concessions	(410)	–

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

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 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**220,921**	261,674
Effect of dilutive potential ordinary shares: Interest on convertible bonds (net of income tax)	**1,586**	–
Earnings for the purpose of diluted earnings per share	**222,507**	261,674

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,971,002**	2,970,384
Effect of dilutive potential ordinary shares	**68,246**	5
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,039,248**	2,970,389

The number of shares adopted in the calculation of the basic earnings per share for the six months ended 28 February 2021 and 29 February 2020 has been arrived after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

9. EARNINGS PER SHARE (Continued)

The number of shares adopted in the calculation of the diluted earnings per share for the six months ended 28 February 2021 has been arrived after assuming the conversion of the convertible bonds.

The number of shares adopted in the calculation of the diluted earnings per share for the six months ended 28 February 2021 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the six months ended 28 February 2021.

The number of shares adopted in the calculation of the diluted earnings per share for the six months ended 29 February 2020 has been arrived after assuming the exercise of the Company's outstanding share options.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain property and equipment with an aggregate carrying amount of approximately RMB11,152,000 (for the six months ended 29 February 2020: RMB159,000) for cash proceeds of approximately RMB9,657,000 (for the six months ended 29 February 2020: RMB77,000), resulting in a loss on disposal of approximately RMB1,495,000 (for the six months ended 29 February 2020: RMB82,000).

The Group paid a net cash consideration of RMB141,743,000 to purchase property, plant and equipment (for the six months ended 29 February 2020: RMB140,799,000).

11. GOODWILL

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Cost and carrying values:		
At 1 September	**2,449,342**	252,848
Exchange adjustment	**(75,194)**	–
At 28 February or 29 February	**2,374,148**	252,848

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Receivable from third parties	**47,132**	39,765
Short-term loan to a third party	**30,000**	30,000
Prepaid rent and other prepaid expenses	**12,424**	11,042
Deposits	**5,986**	8,542
Management fees receivables	**4,525**	12,592
Trade receivables net of allowance for credit losses	**2,720**	5,841
Interest receivables	**1,789**	2,019
Staff advances	**698**	464
Consideration adjustment receivable	**–**	46,731
Others	**21,948**	17,092
	127,222	174,088

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The following is an analysis of trade receivables by age, presented based on the dates the students were informed for payment.

	At 28 February 2021 RMB'000	At 31 August 2020 RMB'000
Not past due	**2,312**	3,541
0 – 30 days	**268**	1,019
31 – 60 days	**–**	199
61 – 90 days	**–**	215
>90 days	**140**	867
	2,720	5,841

13. RESTRICTED CASH

During the years ended 31 August 2019, the Group placed RMB48,561,000 in a bank account managed by both the Group and the seller of the acquisition target in Jiade, therefore the amount deposited is recorded as restricted cash.

14. CONTRACT LIABILITIES

	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Tuition and boarding fees	**896,450**	1,444,104
Others	**40,555**	61,898
Contract liabilities	**937,005**	1,506,002

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

15. OTHER PAYABLES AND ACCRUED EXPENSES

	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Miscellaneous expenses received from students (Note)	**129,077**	222,404
Payables for purchase of property, plant and equipment	**86,955**	153,701
Other payables	**65,070**	62,558
Accrued payroll	**62,070**	44,579
Acquisition consideration payable	**61,968**	64,015
Deposits received from students	**27,515**	38,588
Accrued operating expenses	**8,387**	4,784
Payables for purchase of goods	**4,550**	6,982
Government grant	**2,824**	5,994
Accrued professional fees for the acquisition	**2,186**	13,903
Prepayment from lessee	**863**	4,470
Other tax payables	**–**	6,110
	451,465	628,088

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

16. BORROWINGS

	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Secured bank borrowings	**2,715,047**	3,630,566
The carrying amounts of the above borrowings are repayable:		
Within one year	**1,689,014**	2,303,062
Within a period of more than one year but not exceeding two years	**457,846**	357,992
Within a period of more than two years but not exceeding five years	**537,724**	917,885
Within a period of more than five years	**30,463**	51,627
	2,715,047	3,630,566
Less: Amounts due within one year shown under current liabilities	**(1,689,014)**	(2,303,062)
Amounts shown under non-current liabilities	**1,026,033**	1,327,504

16. BORROWINGS (Continued)

The borrowings amounting to SGD23,103,000 and SGD259,713,000 (in aggregate equivalent to RMB1,379,200,000) are secured by pledged bank deposits of RMB132,000,000 of Dalian Educational Group and RMB1,410,025,000 of Beipeng Software.

The borrowings amounting to SGD40,600,000 (equivalent to RMB197,905,000) are mortgaged over an investment property owned by Maple Leaf Education Hillside Pte. Ltd. ("**Maple Hillside**") of RMB316,397,000, and existing and future legal assignment of rental proceeds, rental deposits and other rights of Maple Hillside.

The borrowings amounting to SGD213,705,000 (equivalent to RMB1,042,015,000) is secured over (1) all the shares of Offshore Group (including Canadian International School Pte. Ltd. ("**CIS**") and Maple Leaf CIS Holdings Pte. Ltd.); (2) all the assets of the Offshore Group; (3) debt service reserve account held by CIS; (4) dividend accounts (if any); and (5) pledge over all the shares of Beipeng Software.

The borrowings amounting to MYR59,562,000 (equivalent to RMB95,927,000) is secured by pledge of debt service reserve account held by Kingsley International Sendirian Berhad (subsidiaries owned by Kingsley Edugroup Berhad ("**Kingsley**")) and debenture incorporating fixed and floating charge over all assets and undertakings of Kingsley.

These borrowings carry interest at fixed or variable interest rates range from 0.70% to 4.40% (31 August 2020: 0.70% to 5.58%) per annum.

17. CONVERTIBLE BONDS

Financial liabilities designated at FVTPL:

	At 28 February 2021 RMB'000 (Unaudited)	At 31 August 2020 RMB'000 (Audited)
Convertible bonds (Note)	**847,697**	–
Analysed for reporting purposes as:		
Non-current liabilities	**847,697**	–

Note:

*On 12 January 2021, the Company entered into the subscription agreement with UBS AG Hong Kong Branch (the "**Manager**") under which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds due in 2026 in an aggregate principal amount of USD125,000,000 (the "**Convertible Bonds**").*

17. CONVERTIBLE BONDS (Continued)

On 27 January 2021 (the "**Issue Date**"), the Company completed the issuance of the Convertible Bonds. The cash proceeds related to the issuance of USD125,000,000 (equivalent to RMB808,551,000) were received by the Company on the Issue Date. The issuance cost related to the Convertible Bonds of approximately USD1,250,000 (equivalent to RMB8,138,000) was charged to the finance cost. The Convertible Bonds were recognized and measured as financial liabilities designated at fair value through profit or loss. The fair value as of the Issue Date and 28 February 2021 were of RMB808,551,000 and RMB847,697,000, respectively (Note 20). The changes in fair value related to the financial liabilities of RMB40,607,000 were charged to other gain and losses.

The Convertible Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.25 per cent per annum, payable semi-annually in arrears on 27 January and 27 July in each year, commencing on 27 July 2021.

Pursuant to the subscription agreement, each of the Convertible Bonds will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 9 March 2021 up to the close of business (at the place where the certificate evidencing the Bonds are deposited for conversion) on the seventh day prior to 27 January 2026 (the "**Maturity Date**") (both days inclusive) (the "**Conversion Period**") into fully paid ordinary shares with a par value of USD0.0005 each of the Company at an initial conversion price of HKD2.525 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. The conversion price of the Convertible Bonds as at 28 February 2021 is HKD2.525 per share.

As at 28 February 2021, no conversion related to the Convertible Bonds was exercised by the holders.

On giving notice in accordance with the respective terms and conditions of the subscription agreement, at any time after 11 February 2024 and prior to the Maturity Date, the Convertible Bonds may be redeemed at the option of the Company. The Convertible Bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the subscription agreement. The Convertible Bonds may be redeemed at the option of the holder following the occurrence of a relevant event described in the subscription agreement or on 27 January 2024 as the optional put date for the holder to request the Company to redeem all or some of the Convertible Bonds upon giving notice in accordance with the subscription agreement.

18. SHARE-BASED PAYMENTS

Employee Share Purchase Plan

The Company's Employee Share Purchase Plan (the "**ESPP**") was approved and adopted by the Company on 12 October 2020 to take effect for the purpose of providing the selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants by permitting the selected participants to purchase shares of the Company and by awarding matching restricted shares, which upon vesting are settled in shares.

During the current period, no matching shares under the ESPP were granted.

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

Movements of the Company's share options granted under the Post-IPO Share Option Scheme during the six months ended 28 February 2021 are as follows:

18. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

For the six months ended 28 February 2021

	Date of grant	Option type	Outstanding at 1 September 2020	Forfeited during the period	Lapsed during the period	Outstanding at 28 February 2021
Executive director						
Zhang Jingxia	14 June 2018	Post-IPO-4th	1,200,000	–	(400,000)	800,000
James William Beeke	14 June 2018	Post-IPO-4th	600,000	–	(200,000)	400,000
Independent non-executive director						
Peter Humphrey Owen	14 June 2018	Post-IPO-4th	415,200	–	(138,400)	276,800
Wong Lap Tat Arthur	14 June 2018	Post-IPO-4th	415,200	–	(138,400)	276,800
Peter Humphrey Owen	28 June 2019	Post-IPO-6th	246,000	–	(62,000)	184,000
Wong Lap Tat Arthur	28 June 2019	Post-IPO-6th	246,000	–	(62,000)	184,000
Employees in aggregate	14 June 2018	Post-IPO-5th	19,320,000	(1,820,000)	(6,060,000)	11,440,000
	28 June 2019	Post-IPO-7th	4,410,000	(290,000)	(2,130,000)	1,990,000
Total			26,852,400	(2,110,000)	(9,190,800)	15,551,600
Exercisable at the end of the year						–

During the current period, no share options under the Post-IPO Share Option Scheme were granted or exercised.

19. 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 has been proceeded to the main trial stage.

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

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As at 28 February 2021, the Company had not made any provision in respect of the Zhixin Case.

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

20. 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 and financial liabilities 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).

Financial assets and financial liabilities	Fair value as at 28 February 2021	Fair value as at 31 August 2020	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL – Listed equity securities	**RMB9,421,000**	RMB8,702,000	Level 1	Quoted bid prices in an active market	NA
Financial assets at FVTPL – wealth management products	**RMB8,329,000**	RMB4,203,000	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 liabilities in a business combination	**-**	–	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 arrangement in relation to the first tranche, based on an appropriate discount rate.	Probability of students enrollment numbers; Discount Rate
Contingent liabilities in a business combination (as included in contingent consideration)	**RMB26,488,000**	RMB26,846,000	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 arrangement in relation to the second tranche transaction of STAR acquisition, based on an appropriate discount rate.	Probability profits target and dividends (if any)
Convertible bonds issued by the Group and designated at FVTPL (Note 17)	**RMB847,697,000**	–	Level 3	Binomial option pricing model and discounted cash flow method	Expected volatility of 40.0%, Risk free rate of 3.004%, Dividend yield of 0.00%, Discount rate: 8.00%

Note 1: A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value measurement of the Convertible Bonds, and vice versa. A 1% increase in the discount rate holding all other variables constant would decrease the carrying amount of the Convertible Bonds by RMB12,942,000.

Note 2: A slight increase in the expected volatility/dividend yield used in isolation would result in a significant increase/decrease in the fair value measurement of the Convertible Bonds, and vice versa. A 1% increase in the volatility holding all other variables constant would increase the carrying amount of the Convertible Bonds by RMB6,471,000. A 1% increase in the dividend yield holding all other variables constant would decrease the carrying amount of the Convertible Bonds by RMB12,942,000.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Contingent consideration in business combinations RMB'000	Convertible bonds RMB'000
At 1 September 2020 (audited)	26,846	–
Issued	–	808,551
Total losses:		
in profit or loss	578	40,607
Exchange adjustments	(936)	(1,461)
At 28 February 2021 (unaudited)	26,488	847,697

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 and Level 2 during the current period.

21. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group are as follows:

	Six months ended 28 February 2021 RMB'000 (Unaudited)	Six months ended 29 February 2020 RMB'000 (Unaudited)
Short-term benefits	**5,834**	5,309
Post-employment benefits	**9**	9
Share-based payments	**1,497**	2,832
Others	**2,304**	2,424
	9,644	10,574

SPECIFIC PERFORMANCE OBLIGATION ON CONTROLLING SHAREHOLDER

On 16 August 2020, the Company (as a guarantor), Maple Leaf CIS Holdings Pte. Limited (as a borrower) and a subsidiary of the Company (as a guarantor) have entered into a facility agreement (the "**Term Loan Facility Agreement**") with certain lenders pursuant to which the lenders agreed to make available a term loan facility in an aggregate amount up to SGD225,000,000 with a final maturity date being the date which is three years after the utilisation date of the term loan (the "**Term Loan Facility**"). On the same day, the Company (as a borrower), Maple Leaf CIS Holdings Pte. Limited (as a guarantor) and certain subsidiaries of the Company (each as a guarantor) have also entered into a facility agreement (the "**Bridge Loan Facility Agreement**", together with the Term Loan Facility Agreement, the "**Facility Agreements**") with certain lenders pursuant to which the lenders agreed to make available a bridge loan facility in an aggregate amount up to SGD158,000,000 with a final maturity date being the date which is 350 days after the utilization date of the bridge loan facility ("**Bridge Loan Utilisation Date**") assuming the extension option is being exercised pursuant to the Bridge Loan Facility Agreement (or six months after the Bridge Loan Utilisation Date if the extension option is not exercised) (the "**Bridge Loan Facility**", together with the Term Loan Facility, the "**Facilities**").

Pursuant to the Facility Agreements, the Facilities must be prepaid (among other matters) if:

i. Mr. Shu Liang Sherman Jen ("**Mr. Jen**"), chairman and executive director of the Company, does not or ceases to own beneficially at least 45% of each class of the issued share capital of the Company excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital (or at least 40% after a permitted issue of shares pursuant to the Facility Agreements);

ii. Mr. Jen does not or ceases to have the power to: (a) cast or control of the casting of at least 45% of the maximum number of vote that might be cast at a general meeting of the Company (or at least 40% after a permitted issue of shares pursuant to the respective Facility Agreement); (b) appoint or remove all or majority of the directors or other equivalent officers of the Company; or (c) give directions with respect to the operating and financial policies of the Company;

iii. Mr. Jen is not or ceases to be the single largest owner of each class of the issued share capital of the Company; and

iv. Mr. Jen is not or ceases to be the chairman of the Board of the Company,

and in such event the Facilities will be terminated and all outstanding loans under the Facilities may immediately become payable on demand.

Reference are made to the announcements of the Company dated 13 January 2021 and 27 January 2021 concerning the issuance of US$125,000,000 convertible bonds due 2026 under general mandate by the Company. In light of the potential dilution impact of the issuance of the above convertible bonds, the lenders of the Facilities have granted a waiver to reduce Mr. Jen's ownership requirement under the Facilities Agreements from 45% to 40% such that no change of control will occur if Mr. Jen does not or cease directly or indirectly to have the power to cast or control the casting of at least 40% of the maximum number of votes that might be cast at a general meeting of the Company.

INTERIM DIVIDEND

The board of the Company has resolved not to declare an interim dividend for the six months ended 28 February 2021.

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 Company 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 2021 and up to the date of this 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and has complied with all the applicable code provisions, save and except for code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("**CEO**") should not be performed by the same individual. Mr. Jen performs the dual roles of both chairman and CEO. The Board believes that by vesting the roles of both chairman and CEO in the same person, the Company derives the benefit of ensuring consistent leadership within the Group, which in turn enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

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 2021.

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

During the six months ended 28 February 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 28 February 2021, the interests and short positions of the Directors and the chief executive 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/short 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	Long Position/ Short Position
Mr. Jen	Founder of a discretionary trust who can influence how the trustee exercises his discretion	1,483,639,818 (Note 1)	–	1,483,639,818	49.53%	Long position
				95,000,000 (Note 5)	3.17%	Short position
	Beneficial interest	77,086,850	–	77,086,850	2.57%	Long position
	Interest of spouse	1,342 (Note 2)	–	1,342	0.00%	Long position
Jingxia Zhang	Beneficial interest	3,511,146	800,000 (Note 3)	4,311,146	0.14%	Long position
James William Beeke	Interest of controlled corporation	884,000 (Note 4)	–	884,000	0.03%	Long position
	Beneficial interest	51,342	400,000 (Note 3)	451,342	0.02%	Long position
Peter Humphrey Owen	Beneficial interest	121,342	460,800 (Note 3)	582,142	0.02%	Long position
Lap Tat Arthur Wong	Beneficial interest	520,000	460,800 (Note 3)	980,800	0.03%	Long position

Notes:

1. *Sherman Investment Holdings Limited ("**Sherman Investment**") is a company incorporated in the British Virgin Islands, which is indirectly wholly owned by a discretionary trust. Mr. Jen is the founder of the discretionary trust who can influence how the trustee exercises his discretion, and is deemed to be interested in 1,483,639,818 Shares.*

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 ("**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 49% by his spouse. Mr. James William Beeke is deemed to be interested in all the Shares held by Signum Services.*

5. *Pursuant to the Securities Lending Agreement dated 12 January 2021, Sherman Investment has provided securities lending to UBS AG, London Branch (the "**Borrower**") with an aggregate of up to 330,000,000 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreement. Sherman Investment shall deliver up to 95,000,000 shares of the Company to the Borrower upon request.*

Interest in associated corporation

Name of Director	Name of associated corporation	Capacity	Number of issued shares	Percentage of total issued shares of the associated corporation	Long Position/ Short Position
Mr. Jen	Sherman Investment	Founder of a discretionary trust who can influence how the trustee exercises his discretion*	50,000	100%	Long position

* *A discretionary trust has been set up and the entire issued capital of Sherman Investment was transferred from Mr. Jen to Sherman International Investment Limited ("**Sherman Int'l**"), the shares of which form the assets of a trust, of which Mr. Jen is the Founder.*

Save as disclosed above, as at 28 February 2021, none of the Directors or the chief executive 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 2021, the following persons or corporations, other than the Directors or the chief executive 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:

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company	Long Position/ Short Position
Sherman Investment (Note 1)	Beneficial interest	1,483,639,818	49.53%	Long position
		95,000,000 (Note 5)	3.17%	Short position
Sherman Int'l (Note 2)	Interest of controlled corporation	1,483,639,818	49.53%	Long position
		95,000,000 (Note 5)	3.17%	Short position
HSBC International Trustee Limited ("**HSBC Trustee**") (Note 3)	Trustee	1,483,639,818	49.53%	Long position
Ms. Yan (Note 4)	Interest of spouse	1,560,726,668	52.10%	Long position
		95,000,000 (Note 5)	3.17%	Short position
	Beneficial interest	1,342	0.00%	Long position
UBS Group AG (Note 6)	Interest of controlled corporation	159,116,009	5.31%	Long position

Notes:

(1) *Sherman Investment is indirectly wholly owned by a discretionary trust, Mr. Jen is the founder of the discretionary trust who can influence how the trustee exercises his discretion. Sherman Investment has a direct beneficial interest in 49.53% of the shareholding of the Company.*

(2) *Sherman Int'l owns 100% shareholding in Sherman Investment and is therefore deemed to be interested in all the Shares which Sherman Investment is interested by virtue of the SFO.*

(3) *HSBC Trustee is the trustee of a discretionary trust, of which Mr. Jen is the founder, owns 100% shareholding in Sherman Int'l and is therefore deemed to be interested in all the Shares which Sherman Int'l is interested by virtue of the SFO.*

(4) *Ms. Yan is the spouse of Mr. Jen and, therefore, Ms. Yan is deemed to be interested in all the Shares and underlying Shares in which Mr. Jen is interested or deemed to be interested by virtue of the SFO. Mr. Jen is interested in: (i) 77,086,850 Shares, and (ii) 1,483,639,818 Shares held by a discretionary trust.*

(5) *Pursuant to the Securities Lending Agreement dated 12 January 2021, Sherman Investment has provided securities lending to UBS AG, London Branch (the "**Borrower**") with an aggregate of up to 330,000,000 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreement. Sherman Investment shall deliver up to 95,000,000 shares of the Company to the Borrower upon request.*

(6) *UBS AG, UBS Switzerland AG and UBS Europe SE are the beneficial owners of 139,681,891 Shares, 1,827,999 Shares and 17,606,119 Shares respectively, as at 28 February 2021. Each of UBS AG, UBS Switzerland AG and UBS Europe SE is wholly owned by UBS Group AG. UBS Group AG is deemed to be interested in all the Shares of UBS AG, UBS Switzerland AG and UBS Europe SE in which they are interested by virtue of the SFO.*

Save as disclosed above, as at 28 February 2021, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or 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 Post-IPO Share Option Scheme (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 Post-IPO Share Option Scheme and the Share Award Scheme, please refer to the section headed "Share Incentive Schemes" in the report of Directors in our 2020 annual report.

Post-IPO Share Option Scheme

The following table discloses movements in the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme during the six months ended 28 February 2021.

Grantees	Date of grant	Number of share options						Exercise period/date	Exercise price	Vesting period/ date
		As at 1 September 2020	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 28 February 2021			
Directors										
Jingxia Zhang	14 June 2018	400,000	–	–	–	(400,000)	–	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
		400,000	–	–	–	–	400,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
		400,000	–	–	–	–	400,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
James William Beeke	14 June 2018	200,000	–	–	–	(200,000)	–	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
		200,000	–	–	–	–	200,000	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
		200,000	–	–	–	–	200,000	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
Peter Humphrey Owen	14 June 2018	138,400	–	–	–	(138,400)	–	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
		138,400	–	–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
		138,400	–	–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
	28 June 2019	62,000	–	–	–	(62,000)	–	1 January 2021 – 31 January 2021	HK$3.11	1 January 2021
		62,000	–	–	–	–	62,000	1 January 2022 – 31 January 2022	HK$3.11	1 January 2022
		62,000	–	–	–	–	62,000	1 January 2023 – 31 January 2023	HK$3.11	1 January 2023
		60,000	–	–	–	–	60,000	1 January 2024 – 31 January 2024	HK$3.11	1 January 2024
Lap Tat Arthur Wong	14 June 2018	138,400	–	–	–	(138,400)	–	1 January 2021 – 31 January 2021	HK$7.22	1 January 2021
		138,400	–	–	–	–	138,400	1 January 2022 – 31 January 2022	HK$7.22	1 January 2022
		138,400	–	–	–	–	138,400	1 January 2023 – 31 January 2023	HK$7.22	1 January 2023
	28 June 2019	62,000	–	–	–	(62,000)	–	1 January 2021 – 31 January 2021	HK$3.11	1 January 2021
		62,000	–	–	–	–	62,000	1 January 2022 – 31 January 2022	HK$3.11	1 January 2022
		62,000	–	–	–	–	62,000	1 January 2023 – 31 January 2023	HK$3.11	1 January 2023
		60,000	–	–	–	–	60,000	1 January 2024 – 31 January 2024	HK$3.11	1 January 2024
Sub-total		**3,122,400**	**–**	**–**	**–**	**(1,000,800)**	**2,121,600**			
Employees in aggregate										
Sixth tranche	14 June 2018	6,440,000	–	–	(380,000)	(6,060,000)	–	1 January 2021 - 31 January 2021	HK$7.22	1 January 2021
Seventh tranche	14 June 2018	6,440,000	–	–	(720,000)	–	5,720,000	1 January 2022 - 31 January 2022	HK$7.22	1 January 2022
Eighth tranche	14 June 2018	6,440,000	–	–	(720,000)	–	5,720,000	1 January 2023 - 31 January 2023	HK$7.22	1 January 2023
Eleventh tranche	28 June 2019	2,265,000	–	–	(135,000)	(2,130,000)	–	1 January 2021 - 31 January 2021	HK$3.11	1 January 2021
Twelfth tranche	28 June 2019	2,145,000	–	–	(155,000)	–	1,990,000	1 January 2022 - 31 January 2022	HK$3.11	1 January 2022
Sub-total		**23,730,000**	**–**	**–**	**(2,110,000)**	**(8,190,000)**	**13,430,000**			
Total		**26,852,400**	**–**	**–**	**(2,110,000)**	**(9,190,800)**	**15,551,600**			

During the current period, no share options under the Post-IPO Share Option Scheme were granted or exercised.

Share Award Scheme

During the six months ended 28 February 2021, there was no movement in the outstanding Shares under the Share Award Scheme.

Use of proceeds from the issuance of Convertible Bonds

The net proceeds from the issuance of US$125 million Convertible Bonds due 2026 in January 2021, after deducting underwriting commission and related expenses, amounted to approximately US$123.1 million. The Company intends to use the net proceeds from the Convertible Bonds issuance for repayment of existing borrowings, acquisitions-related expenses and general corporate purposes.

The following table illustrates the intended uses of the net proceeds from the Convertible Bonds issuance and the planned amount for each use:

	US$'million
Net Proceeds	123.1
Intended utilization of proceeds	
Repaying existing borrowings	119.0
Acquisitions-related expenses and general corporate purpose	4.1
Total	123.1

As at 28 February 2021, the Group had utilized all the net proceeds from the Convertible Bonds issuance as set out in the table below, which is consistent with the intentions previously disclosed by the Company.

Use of proceeds	Net proceeds from the Bonds issuance US$'million	**Utilization during the period ended 28 February 2021 US$'million**	Unutilized balance as at 28 February 2021 US$'million
Repaying existing borrowings	119.0	**119.0**	–
Acquisitions-related expenses and general corporate purposes	4.1	**4.1**	–
Total	123.1	**123.1**	–

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 28 February 2021 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu who has reviewed the interim financial statements. 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.

CHANGES IN DIRECTORS' INFORMATION

During the reporting period, changes in Directors' information are set out below:

Mr. Jen ceased to act as an executive Director and the chairman of Kingsley Edugroup Limited, a wholly-owned subsidiary of the Company, with effect from 30 December 2020. Kingsley Edugroup Limited was dissolved on 31 March 2021.

Mr. Alan Shaver ("**Mr. Shaver**") ceased to act as a member and the chairman of the board of directors of Innovate BC, a Canadian British Columbia provincial Crown Agency, with effect from 16 March 2021.

Mr. Shaver was appointed as a member of the Academic Advisory Board of Studiosity, an on-demand study help service provider, on 1 January 2021.

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, 28 April 2021