



2023 ANNUAL REPORT



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

* For identification purposes only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shu Liang Sherman Jen

(Chairman and Chief Executive Officer (“CEO”))

Ms. Jingxia Zhang

(Co-Chief Financial Officer)

Mr. James William Beeke

Non-executive Director

Dr. Kem Hussain*

Independent Non-executive Directors

Mr. Peter Humphrey Owen

Mr. Alan Shaver[^]

Mr. Lap Tat Arthur Wong[#]

Ms. Wai Fong Wong*

Mr. King Pak Lau**

AUDIT COMMITTEE

Mr. King Pak Lau *(Chairman)*

Mr. Peter Humphrey Owen

Ms. Wai Fong Wong *(appointed with effect from 31 August 2023)*

REMUNERATION COMMITTEE

Mr. Peter Humphrey Owen *(Chairman)*

Mr. James William Beeke

Ms. Wai Fong Wong *(appointed with effect from 31 August 2023)*

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Shu Liang Sherman Jen *(Chairman)*

Mr. Peter Humphrey Owen

Ms. Wai Fong Wong *(appointed with effect from 31 August 2023)*

COMPANY SECRETARY

Ms. Shu Ling Jen

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang

Ms. Shu Ling Jen

AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law

LCH Lawyers LLP

As to PRC law

Jingtian & Gongcheng

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP

[#] retired on 28 February 2023

^{*} appointed with effect from 1 January 2023

^{**} appointed with effect from 28 February 2023

[^] resigned with effect from 31 August 2023

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 13, Baolong First Road
Baolong Street, Longgang District
Shenzhen, Guangdong Province 518116
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1302, 13/F., Tai Tung Building
8 Fleming Road, Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

1317

COMPANY WEBSITE

www.mapleleaf.cn

LETTER FROM THE CHAIRMAN



Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**” or “**Maple Leaf**”, together with its subsidiaries and consolidated affiliated entities, collectively the “**Group**”), I am pleased to present the annual report comprising the consolidated results of the Company for the year ended 31 August 2023.

RESULTS AND DIVIDENDS

On 14 May 2021, the PRC State Council announced the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China* 《中華人民共和國民辦教育促進法實施條例》(the “**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations impose significant uncertainties and restrictions on the Group’s control over the affiliated entities operating private schools that offer compulsory education consisting of six years of primary school education and three years of middle school education to PRC residents and not-for-profit schools that provide preschool education in the People’s Republic of China (“**PRC**” or “**China**”) (the “**Affected Schools**”). Up to the date of this report, based on the advice of our PRC legal advisor, there are uncertainties concerning the validity and enforceability of the current contractual arrangements between the Group and the Affected Schools and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on 1 September 2021.

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Consequently, the Directors considered that by the end of 31 August 2021, it was no longer practicable for the Group to make and enforce relevant decisions for its own benefit as a principal in accordance with the contractual arrangements with the Affected Schools and the Group lost control over the Affected Schools on 31 August 2021. The Affected Schools were deconsolidated from the consolidated financial statements of the Company for the year ended 31 August 2021 and the operations of the Affected Schools were classified as discontinued operations as of 31 August 2021. Please refer to the section headed “Update on the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China” for further details.

The revenue of the Group was RMB1,151.2 million and RMB989.8 million for the year ended 31 August 2023 and 31 August 2022 respectively. The profit for the year ended 31 August 2023 was RMB5.1 million and the profit for the year ended 31 August 2022 was RMB57.1 million.

The Adjusted Net Profit (as illustrated in “Five-Year Financial Summary – Calculation of the Adjusted Net Profit” as contained in this report) for the year ended 31 August 2023 was RMB135.6 million, representing an increase of RMB90.0 million or 197.8% as compared to the year ended 31 August 2022.

The Board has resolved not to declare a final dividend for the year ended 31 August 2023.

BUSINESS HIGHLIGHTS

The quality of Maple Leaf education is reflected in the achievements of our students. As at the date of this report, 1,145 Maple Leaf high school graduates of the class of 2023 (“**Class 2023 Students**”) received over 4,282 letters of acceptance from 236 universities and colleges in 18 countries and regions, including but not limited to Canada, the United States of America (“**USA**”), United Kingdom (“**UK**”), Australia, and China. Approximately 80.2% of Class 2023 students received letters of acceptance from Quacquarelli Symonds (“**QS**”) Top 100 universities. Moreover, 17 of them received letters of acceptance from QS Top 10 universities including prestigious University College London and Imperial College London in the UK. This is the first batch of Maple Leaf students graduated under Maple Leaf World School Program (“**World School Program**” or “**MLWSP**”) who received Maple Leaf Group graduate certificate.

In order to provide Maple Leaf graduates with a wider range of further education opportunities, the Group has entered into cooperation agreements with more than 23 well-known domestic universities and colleges, such as the Beijing Foreign Studies University, Central University of Finance and Economics, and Southwest University of Political Science & Law, etc. These universities offer programs in various disciplines in cooperation with overseas universities. We endeavor to develop more opportunities to work with Chinese domestic universities and offer a variety of options to our high school graduates. Since then, Maple Leaf has been offering domestic and international “Dual Graduation Exit” to its high school students for pursuing higher education.

OUTLOOK

Following the promulgation of the Implementation Regulations, Maple Leaf has adjusted its development strategy from the pyramid structure to inverted pyramid structure and our high schools carry on a dual development scheme. We will focus on the development of high schools providing World School Program, with moderate development of regular high schools whereby students are sitting for the National College Entrance Examination (“**Gaokao**”).

We will expand online education offering the World School Program, English as a second language (“**ESL**”) curriculum and Chinese as a second language (“**CSL**”) curriculum as well as certificate examination training or other new educational products to domestic and overseas learners.

In addition to providing the academic education services, the Group also plans to further develop education industry chain business which previously provided services only to Maple Leaf students internally. We plan to offer professional catering services for universities, boarding schools, institutions, and corporate canteens; and provide services of supplies of school uniforms and professional uniforms for various schools, institutions and corporate customers. We strive to forge Maple Leaf brand to a professional catering and professional uniforms brand and generate additional income for the Group.

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 recognise that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also along the Belt and Road countries, such as Southeast Asia, and around the world, such as the North America. Accordingly, the Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL curricula, it is precisely positioned to meet the demand for quality international preschool to grade 12 (“**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 Canadian International School and Kingsley International School in the Southeast Asian countries.

APPRECIATION

I would like to express my heartfelt gratitude to our students’ parents, the local governments, and our Shareholders for their continuing support on behalf of the Board. I also wish to thank our fellow Board members and senior management for their contributions and hard work during the year and extend my appreciation to our management, teachers and staff for their endeavours and commitments in providing the highest quality education for tens of thousands of Maple Leaf students.

Shu Liang Sherman Jen

China Maple Leaf Educational Systems Limited

Chairman and Chief Executive Officer

Hong Kong, 29 November 2023

CORPORATE PROFILE

CORPORATE PROFILE

With over 28 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 and bilingual education, combining the merits of both Western and Eastern educational philosophies. We also operate international schools in Malaysia, Singapore and Canada.

World School Program is the first international program with oriental cultural characteristics in the world. It cooperates with two of the world's largest educational institutions, benchmarked by ECCTIS and accredited by Cognia. In May 2023, ECCTIS announced the key summary conclusions from its benchmarking of the World School Program stating that: holders of the MLWSP grade 12 diploma may be considered to meet the general entry requirements of undergraduate admission in the UK, Canada, and USA. MLWSP is comparable to the Canada (British Columbia) and United States (New York) Certificates of Graduation. And MLWSP is comparable to the overall GCE A-Level standard in the UK system when the required number of academic grade 12 courses are taken. World School Program has become a globally certified course after A-Level and International Baccalaureate (the "IB") programs, and has filled the gap in China's international education program.

Our overseas school, Kingsley International School ("KIS") offers A-Level program to K-12 students in Malaysia. KIS targets mainly local students and also international students primarily from Asian countries. 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 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 the United States, India and other Asian countries. 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.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 August				
	2019 RMB'000 (Note 1)	2020 RMB'000 (Note 1) (Restated)	2021 RMB'000 (Note 2)	2022 RMB'000 (Note 2)	2023 RMB'000 (Note 2)
Revenue	1,570,231	385,882	941,015	989,795	1,151,162
Cost of revenue	(835,397)	(228,405)	(525,265)	(563,542)	(647,880)
Gross profit	735,834	157,477	415,750	426,253	503,282
Profit/(loss) before tax	680,899	56,997	(625,815)	84,140	52,467
Profit/(loss) for the year	654,169	43,425	(671,919)	57,125	5,120
Adjusted Net Profit (Note 3)	690,263	537,262	609,968	45,516	135,550
Basic earnings/(loss) per share (RMB cents)	22.20	1.46	(22.62)	1.92	0.17

Profitability Margins	Year ended 31 August				
	2019 (Note 1)	2020 (Note 1) (Restated)	2021 (Note 2) (Restated)	2022 (Note 2)	2023 (Note 2)
Gross profit margin	46.8%	40.8%	44.2%	43.1%	43.7%
Net profit/(loss) margin	41.7%	11.3%	(71.4%)	5.8%	0.4%
Adjusted Net Profit Margin	44.0%	139.2%	64.8%	4.6%	11.8%

Notes:

1. Financial information on continuing and discontinued operations.
2. Financial information on continuing operations.
3. The Adjusted Net Profit for the year ended 31 August 2023 was calculated as profit for the year, excluding the impact from (i) amortisation of other intangible assets and depreciation of properties arising from acquisition; (ii) change in fair value of the Convertible Bonds (as defined below); (iii) share-based payments; and (iv) dividend income from financial assets at fair value through profit or loss. The financial results of the Affected Schools have been classified as discontinued operations upon deconsolidation on 31 August 2021. Please see the table headed "Calculation of the Adjusted Net Profit" below for further details.

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	At 31 August				
	2019	2020	2021	2022	2023
	RMB'000 (Note 1)	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 2)	RMB'000 (Note 2)
Non-current assets	3,475,273	8,291,609	5,180,100	5,160,584	5,405,542
Current assets	3,048,461	2,977,621	2,701,122	1,196,198	809,345
Current liabilities	2,018,979	4,584,093	3,301,873	2,463,471	2,278,173
Net current assets/(liabilities)	1,029,482	(1,606,472)	(600,751)	(1,267,273)	(1,468,828)
Total assets less current liabilities	4,504,755	6,685,137	4,579,349	3,893,311	3,936,714
Total equity	3,691,829	4,623,635	1,388,857	1,456,813	1,497,516
Non-current liabilities	237,573	2,061,502	3,190,492	2,436,498	2,439,198
Total equity and non-current liabilities	3,929,402	6,685,137	4,579,349	3,893,311	3,936,714

Selected Major Items	At 31 August				
	2019	2020	2021	2022	2023
	RMB'000 (Note 1)	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 2)	RMB'000 (Note 2)
Property, plant and equipment	2,419,241	3,842,542	2,002,303	2,285,196	2,233,548
Bank balances and cash	2,762,328	1,310,907	739,477	805,876	528,041
Total borrowings	330,989	3,630,566	3,382,248	1,541,799	1,660,213
Deferred revenue	–	–	–	–	–
Contract liabilities	1,375,604	1,506,002	441,673	501,550	513,559

Liquidity	At 31 August				
	2019	2020	2021	2022	2023
	(Note 1)	(Note 1)	(Note 2)	(Note 2)	(Note 2)
Gearing ratio (Note 3)	0.08	0.79	2.44	1.06	1.11

Notes:

1. Financial information on continuing and discontinued operations.
2. Financial information on continuing operations.
3. The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year.

DIVIDEND PER SHARE

	Year ended 31 August				
	2019 HK\$ cents	2020 HK\$ cents	2021 HK\$ cents	2022 HK\$ cents	2023 HK\$ cents
Interim dividend	4.7	–	–	–	–
Final dividend	5.6	–	–	–	–
Special dividend	–	–	–	–	–
Total	10.3	–	–	–	–

NON-IFRS MEASURES

To supplement the Group's consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (the "IFRS"), the Company also uses Adjusted Net Profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of the Group's operating performance. The Company believes that these measures provide useful information to the shareholders of the Company (the "Shareholders") and potential investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help the Group's management.

However, the use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

CALCULATION OF THE ADJUSTED NET PROFIT

	Year ended 31 August	
	2023 RMB'000	2022 RMB'000
Profit for the year	5,120	57,125
Add:		
Amortisation of other intangible assets and depreciation of properties arising from acquisition (including discontinued operations)	73,254	80,457
Change in fair value of the Convertible Bonds	55,828	(26,352)
Share-based payments (including discontinued operations)	1,953	7,501
Change in fair value of contingent consideration	–	(24,139)
Dividend income from financial assets at fair value through profit or loss	(605)	(578)
Gain on disposal of an investment property	–	(74,674)
Gain on consolidation of Xi'an Maple Leaf School* (西咸新區空港楓葉學校) ("Xi'an School")	–	(73,029)
Compensation payable to Hong Kong Zhixin Financial News Agency Ltd ("Zhixin")	–	99,205
Adjusted Net Profit for the year	135,550	45,516

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MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Market Position

With over 28 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 and bilingual education, combining the merits of both Western and Eastern educational philosophies. We also operate international schools in Malaysia, Singapore and Canada.

World School Program is the first international program with oriental cultural characteristics in the world. It cooperates with two of the world's largest educational institutions, benchmarked by ECCTIS and accredited by Cognia. ECCTIS has completed the benchmarking of the World School Program which marks that the World School Program has become a globally certified course after A-Level and IB programs and has filled the gap in China's international education program.

World School Program is in line with the national strategy in education, namely, Opinions of Eight Government Departments Including the Ministry of Education on Accelerating and Expanding the Opening-up of Education in the New Era* (《教育部等八部門關於加快和擴大新時代教育對外開放的意見》) issued by the Ministry of Education in June 2020.

Our high schools in China have provided World School Program at the commencement of the 2020/2021 school year. The unique programs and systems are designed to cultivate elite talents with a global perspective and proficiency in Chinese culture and wisdom. The combination of "Chinese language curriculum" and "English academic curriculum" is a set of "curricula for Chinese plus high school subjects" which happens to be suitable for international students in China and students around the globe preparing for undergraduate study in China from a multi-dimensional perspective.

The Group relocated its headquarters to Shenzhen in March 2021. Shenzhen headquarters was officially launched at the commencement of the 2022/2023 school year. The relocation of the Group's headquarters to Shenzhen is a strategic move intended to bolster the Group's further development and ensure the success of the Group's sixth five-year plan (from 2020/2021 to 2024/2025 school years) (the "**Sixth Five-Year Plan**") and strengthen its ability to recruit and retain talents for its expansions in China and overseas. Moreover, the new headquarters will increase the brand awareness of the "Maple Leaf" brand and accelerate our business development in first-tier cities in China, especially in the Greater Bay Area.

Our overseas school, KIS offers A-Level program to K-12 students in Malaysia. KIS targets mainly local as well as international students primarily from Asian countries. CIS offers IB curriculum for K-12 students across two campuses, the Tanjong Katong campus and the Lakeside campus, in Singapore. 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 the United States, India and other Asian countries. 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.



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University Placements

The quality of Maple Leaf education is reflected in the achievements of our students. At the end of 2022/2023 school year, 1,145 Maple Leaf high school graduates of the Class 2023 Students received over 4,282 letters of acceptance from 236 universities and colleges in 18 countries and regions, including but not limited to Canada, the USA, UK, Australia and China. Approximately 80.2% of Class 2023 Students received letters of acceptance from QS Top 100 universities including prestigious University College London and Imperial College London in the United Kingdom. This is the first batch of Maple Leaf students graduated under World School Program who received Maple Leaf Group graduate certificate.

In April 2023, the Group entered into agreement with Arizona State University (“**ASU**”) to facilitate ASU’s delivery of two first-year higher education experiences, including the New College of Interdisciplinary Arts and Sciences focusing on Humanities, Mathematics and Sciences, for Maple Leaf graduates in the PRC (the “**1+3 Program**”). The 1+3 Program was welcomed by Maple Leaf graduates, we have enrolled 14 Maple Leaf graduates for the 2023/2024 school year.

In order to provide Maple Leaf graduates with a wider range of further education opportunities, the Group has entered into cooperation agreements with more than 23 well-known domestic universities and colleges, such as the Beijing Foreign Studies University, Central University of Finance and Economics, and Southwest University of Political Science & Law, 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. Since then, Maple Leaf has been offering domestic and international “Dual Graduation Exit” to its high school students for pursuing higher education.

Maple Leaf maintains long-term relationships with a significant number of universities and colleges around the world. Various universities and colleges have memoranda of understanding with us to facilitate the admission process for our high school graduates. Our Group provides consulting services to assist our students in making informed decisions about the universities and colleges they choose to attend. Maple Leaf has held annual university and college recruitment fairs on our campuses mainly for overseas participants since November 2005. 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.



Update on the Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China

On 14 May 2021, the PRC State Council announced the Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China* (《中華人民共和國民辦教育促進法實施條例》) (“**Implementation Regulations**”), which came into effect on 1 September 2021. The Implementation Regulations lay down a concrete measure to implement the top-level design of the classification management system of the superior law – Private Education Promotion Law of the People's Republic of China – and help regulate and promote the policies of “classification management”, “classification support” and “classification development” of private education in China. It will help realise the development of private education with distinctive characteristics and high quality and meet the diversified and selective needs of different families for education in the new era.

The restrictions in the Implementation Regulations on the prohibition of foreign participation in private schools that provide compulsory education and not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related party transactions. The restrictions are intended to ensure the legitimate rights and interests of not-for-profit schools, especially to protect the property rights and interests of not-for-profit schools and to avoid the improper transfer of proceeds from the operation of not-for-profit schools.

The Implementation Regulations strengthen the supervision of compulsory education schools, and at the same time, specify that private education enjoys preferential taxation policies stipulated by the Chinese government. The Implementation Regulations grant for-profit schools the autonomy to charge fees, and encourage and support private schools to use internet technology to implement online education, grant private schools, which carry out higher education and secondary vocational and technical education, the autonomy to self-established majors, designing courses and other greater autonomy, enriching the operation of and expanding student sources of private schools and facilitating the development of private schools.

The Implementation Regulations impose significant uncertainties and restrictions on the Group's control over the affiliated entities operating private schools offering compulsory education and not-for-profit preschools in the PRC. As local governments have not yet issued corresponding classifications management regulations and rules for the Implementation Regulations, there are uncertainties concerning the validity and enforceability of the contractual arrangements between the Group and the private schools that provide compulsory education consisting of six years of primary school education and three years of middle school education to PRC residents and not-for-profit schools that provide preschool education in the PRC (“**Affected Schools**”) and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on 1 September 2021. Consequently, the Affected Schools were deconsolidated from the consolidated financial statements of the Company for the year ended 31 August 2021. Please refer to the 2021 annual report of the Company for further details of the deconsolidation of the Affected Schools.

The Group has determined to take measures to optimise its operating structure to mitigate the impact of the Implementation Regulations. Such measures include, among others, transferring current students from high schools which are under the same operating licences with private schools providing compulsory education and/or not-for-profit preschools in the PRC (“**Mixed High Schools**”) to high schools that have their own operating licences in the PRC (“**Independent High Schools**”) and making registration and filings with the relevant local government departments in the PRC for individual operating licences for the eight Mixed High Schools. Xi'an School obtained a private school operating license as an Independent High School and a registration certificate for private non-enterprise entities to operate as the Independent High School in August 2022 and January 2023 respectively. The financial results and the financial position of Xi'an School were re-consolidated since and, as the case may be, as at 10 August 2022 (“**Date of re-consolidation**”). The Group has also registered four for-profit preschools in Dalian, China during the year ended 31 August 2022 and one preschool in Chongqing, China at the commencement of the 2022/2023 school year.

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The Group has adjusted its enrolment strategy from the pyramid structure to inverted pyramid structure in the Sixth Five-Year Plan, which focuses on its development of high schools providing World School Program in China. We will expand online education offering World School Program, ESL curriculum and CSL curriculum as well as certificate examination training or other new educational products to domestic and overseas learners.

We will continue to monitor the implementation of the Implementation Regulations in different regions and continue to assess its subsequent impact on the Company and will make further announcement(s) as and when appropriate.

The Impact of Covid-19

With the gradual lifting of Covid-19 restrictions, our schools in China resumed face-to-face teaching since the commencement of the 2022/2023 school year. Before the opening of schools, Maple Leaf has thoroughly cleaned and disinfected all campuses and ensured that various pandemic prevention supplies were sufficient to improve campus safety and safeguard the health and safety of all students and employees. For the year ended 31 August 2023, as small scale of Covid-19 outbreak took place in different areas in China from time to time in 2022, we provided mixed mode of learning classes comprising face-to-face and online teaching during the first half of the 2022/2023 school year.

Our overseas school, KIS targets both local students and international students. CIS targets expatriate families employed in Singapore as well as international students. For the year ended 31 August 2023, CIS mainly delivered face-to-face teaching, while KIS conducted hybrid teaching by both face-to-face and online teaching due to the continuous lockdowns regulated by the Malaysian government in order to curb the Covid-19 pandemic. Two overseas schools were temporarily closed, including a high school in Australia and a high school in Canada due to the tight travel restrictions



and visa conditions as at 31 August 2022. With the widespread vaccination and the stabilisation of the pandemic, overseas countries have gradually lifted travel restrictions and relaxed visa conditions, which will increase the student enrolment in our overseas schools, and benefit both domestic and overseas Maple Leaf schools.

Suspension of trading, Resumption Guidance and Resumption

On 13 May 2022, the Company received a letter from the former auditor of the Company ("**Letter**") regarding significant matters in relation to certain transactions of the Group ("**Relevant Matters**") identified during the course of its review of the unaudited interim results for the six months ended 28 February 2022 ("**2022 Interim Results**"). Trading in the shares of the Company (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") has been suspended with effect from 9:00 a.m. on 3 May 2022 due to the delay in publication of the 2022 Interim Results.

On 27 May 2022, the Company was notified by the Stock Exchange of the following resumption guidance ("**Resumption Guidance**") for the Company: (i) publish all outstanding financial results required under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and address any audit modifications; (ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; (iii) conduct an appropriate independent forensic investigation into the matters identified in the Letter, announce the findings and take appropriate remedial actions; (iv) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence; (v) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and (vi) announce all material information for the Shareholders and investors to appraise its position.

As disclosed in the announcement of the Company dated 23 May 2022, the Board resolved to establish the independent board committee of the Board ("**IBC**") to conduct the independent investigation of the Relevant Matters and the internal control over financial reporting ("**Independent Investigation**"). As disclosed in the announcement of the Company dated 14 June 2022, the IBC appointed RSM Corporate Advisory (Hong Kong) Limited as an independent forensic accountant ("**Independent Investigator**") to conduct an independent forensic accounting review into the Relevant Matters and prepare an independent forensic accounting report on the findings of the Independent Investigation and provide recommendations to the IBC in respect of the Relevant Matters. In late August 2022, the Company appointed RSM Consulting (Hong Kong) Limited ("**IC Consultant**") to conduct an independent review of the existing internal controls and procedures of the Company and make recommendations of remedial measures ("**IC Review**").

On 20 June 2023, the Independent Investigator has completed the Independent Investigation and issued the investigation report on the findings of the Independent Investigation and provided recommendations in respect of the Relevant Matters ("**Investigation Report**") to the IBC. Having reviewed the findings and results of the Independent Investigation, the IBC presented the Investigation Report together with the recommendations to the Board for consideration and approval on 20 June 2023. The Board concurred with the IBC that the content and findings of the Independent Investigation are reasonable and acceptable and the Board believed that (i) there was no reasonable regulatory concern regarding the integrity of the management or any individuals with substantial influence over the Company's management and operations, which could potentially put investors at risk and undermine market confidence; and (ii) the enhanced internal control measures adopted

by the Company were sufficient and effective in fulfilling the Company's obligations and protecting its interests as per the Listing Rules. The Board accepted the IBC's recommendations in their entirety and has resolved to (i) adopt the findings of the Investigation Report and (ii) implement the recommendations of the IBC.

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

Following the fulfillment of all the Resumption Guidance, the trading in the shares of the Company (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on the Stock Exchange resumed with effect from 9:00 a.m. on 2 November 2023.

For more details regarding the Relevant Matters, the Resumption Guidance, the Independent Investigation, the Investigation Report, the IC Review Report and the resumption of trading, please refer to the announcements of the Company dated 27 April 2022, 16 May 2022, 23 May 2022, 30 May 2022, 14 June 2022, 2 August 2022, 1 November 2022, 1 February 2023, 28 April 2023, 4 July 2023, 1 August 2023 and 1 November 2023.

Change of Directors and change in composition of committees

With effect from 1 January 2023, Ms. Wai Fong Wong has been appointed as an independent non-executive Director and a member of the IBC and Dr. Kem Hussain has been appointed as a non-executive Director.

Mr. Lap Tat Arthur Wong ("**Mr. Wong**") retired as an independent non-executive Director with effect from 28 February 2023 immediately after the conclusion of the annual general meeting of the company held on 28 February 2023 ("**AGM**") due to his intention to devote more time to his family and pursue other business opportunities. Mr. Wong also ceased to be (i) the chairman of the Audit Committee; and (ii) the chairman of the IBC.

Mr. King Pak Lau has been appointed as an independent non-executive Director and the chairman of each of the Audit Committee and the IBC, with effect from 28 February 2023 immediately after the conclusion of the AGM.

Mr. Alan Shaver resigned as an independent non-executive Director with effect from 31 August 2023 to pursue personal non-business activities and ceased to be a member of each of the Audit Committee, the remuneration committee of the Board ("**Remuneration Committee**"), the nomination and corporate governance committee of the Board ("**Nomination**



MANAGEMENT DISCUSSION AND ANALYSIS

Committee”) and the IBC. Following the above resignation, Ms. Wai Fong Wong, an independent non-executive Director, was appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 31 August 2023.

BUSINESS REVIEW

The Group offers high-quality and bilingual education in the PRC under Maple Leaf brand and in southeast Asia under CIS and KIS brands. In addition to the provision of academic education service, we also develop education industry chain business including, sales of ancillary products and provision of catering service to our students.

Student Enrolment

	At the end of school year			
	2022/2023	% of Total	2021/2022	% of Total
PRC				
High schools	3,496	34.2	2,737	30.0
Preschools	2,103	20.6	2,021	22.1
Foreign national schools	294	2.8	266	2.9
	5,893	57.6	5,024	55.0
Overseas				
High schools	634	6.2	610	6.7
Middle schools	1,282	12.5	1,092	12.0
Elementary schools	2,044	19.9	1,946	21.3
Preschools	380	3.8	458	5.0
	4,340	42.4	4,106	45.0
Total number of students enrolled	10,233	100	9,130	100

The total number of students enrolled increased by 1,103 or 12.1% from 9,130 at the end of the 2021/2022 school year to 10,233 at the end of the 2022/2023 school year, which was primarily due to the increase in number of students in high schools in the PRC and the increase in number of students in middle schools and elementary schools in Malaysia and Singapore.

The Group has adjusted its enrolment strategy from the pyramid structure to inverted pyramid structure in the Sixth Five-Year Plan for its development in the PRC. Maple Leaf will focus on its development of high schools providing World School Program, with moderate development of regular high schools whereby students are sitting for Gaokao.

The Group's Schools

The following table shows a summary of the Group's schools by category as at the end of the two financial years:

	As at 31 August 2023	2022
PRC		
High schools	7	6
Preschools	12	12
Foreign national schools	3	3
	22	21
Overseas		
High schools	4	4
Middle schools	2	2
Elementary schools	3	3
Preschools	2	2
	11	11
Total	33	32

As at 31 August 2023, Xi'an School was added to the Group's school network in China. Xi'an School obtained a private school operating license as an Independent High School and a registration certificate for private non-enterprise entities to operate as the Independent High School in August 2022 and January 2023 respectively. The financial results and the financial position of Xi'an School were re-consolidated since the Date of re-consolidation and as at the Date of re-consolidation, respectively.

As at 31 August 2023, one more overseas high school in Canada was temporarily closed, due to the tight travel restrictions and visa conditions implemented in the country as a result of the Covid-19 pandemic. The Group will assess the possibility to re-open the schools when the pandemic ends and market conditions improve within one or two years.

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 globally 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 ("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. As at 31 August 2023, the Group employed 297 IB certified teachers (as at 31 August 2022: 293 IB certified teachers).

FUTURE DEVELOPMENT

Following the promulgation of the Implementation Regulations, Maple Leaf has adjusted its development strategy from the pyramid structure to inverted pyramid structure and our high schools carry on a dual development scheme in China. We will focus on the development of high schools providing World School Program, with moderate development of regular high schools whereby students are sitting for Gaokao.

We will expand online education offering the World School Program, ESL curriculum and CSL curriculum as well as certificate examination training or other new educational products to domestic and overseas learners. Chinese Testing International Company Limited* (“CTI”, 漢考國際教育科技(北京)有限公司), a professional education and examination institution directly under the Ministry of Education of the PRC, has benchmarked Maple Leaf CSL course and certified Maple Leaf Chinese textbooks and recommended it to be used by Chinese language learners in primary and secondary schools in all countries. CTI has established over 1,208 Chinese exam sites across 155 countries and regions and have served for more than 30 million learners in the world. Five HSK Chinese Proficiency Test centres have been set up in Maple Leaf campuses in the PRC. The Company expects the cooperation with Center for Language Education and Cooperation* (中外語言交流合作中心) of the Ministry of Education of the PRC to publish Maple Leaf Chinese textbooks at the end of 2023/2024 school year.

In addition to providing the academic education services, the Group also plans to further develop education industry chain business which previously provided services only to Maple Leaf students internally. We plan to offer professional catering services for universities, boarding schools, institutions and corporate canteens; and provide services of supplies of school uniforms and professional uniforms for various schools, institutions and corporate customers. We strive to forge Maple Leaf brand to a professional catering and professional uniforms brand and contribute additional income for the Group. The Group launched a pilot canteen which provides dine-in and take-away catering services to the public in June 2023 in Shenzhen, the PRC. This is a one-stop small group meal customized catering brand and we plan to develop it to become a catering service platform serving tens of thousands of urban elites in the future. We strive to forge Maple Leaf brand to a professional catering and professional uniforms brand and generate additional income for the Group.

Standard Implementation Strategy

Under the Standard Implementation Strategy, during the Sixth Five-Year Plan period, the Group implemented the World School Program in China, China’s first internationally accredited curriculum with self-developed intellectual property, at the commencement of 2020/2021 school year. The World School Program was developed by Maple Leaf curriculum experts and meets high academic and curriculum standard, which will get students well equipped for entering into the world’s top ranked universities. The World School Program has been benchmarked by ECCTIS and has acquired accreditation from Cognia – two of the world’s most recognised certification institutions – providing further assurance that Maple Leaf graduates will be able to transit to universities and colleges across the globe seamlessly.

In May 2023, ECCTIS announced the key summary conclusions from its benchmarking of the World School Program stating that: holders of the World School Program grade 12 diploma may be considered to meet the general entry requirements of undergraduate admission in the UK, Canada, and the USA. MLWSP is comparable to the Canada (British Columbia) and United States (New York) Certificates of Graduation. And MLWSP is also comparable to the overall GCE A-Level standard in the UK system when the required number of academic grade 12 courses are taken. Therefore, the World School Program has become globally certified course after A-Level and IB programs and has filled the gap in China’s international education program. The Group’s first batch of graduates from the World School Program received Maple Leaf Group graduate certificate in June 2023.

* For identification purpose only

Since November 2023, King's College London, one of the Golden Triangle universities of the UK, a member of Russell Group University and ranked 40th globally by the QS, marked on its official website that (i) the admission standards for MLWSP are comparable with those for A-level and IB programs; and (ii) the benchmarking of MLWSP with A-Level were specified. The Group also received a confirmation letter from University of Technology Sydney ("**UTS**") which is ranked 90th globally by the QS. UTS stated in the confirmation letter that graduates of MLWSP are eligible to apply for UTS directly with MLWSP graduate certificate and school transcripts.

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 recognise that Maple Leaf is able to offer a broader array of educational opportunities for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also along the Belt and Road countries, such as Southeast Asia, and around the world, such as the North America. Accordingly, the Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL curricula, 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 KIS 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 student enrolment, increasing tuition fee rate, and expanding our established schools to achieve the growth targets in both China and overseas, and strive to become one of the largest international school operators in the world.

OTHER INFORMATION

Issuance of US\$125.0 million 2.25% Convertible Bonds due 2026

On 12 January 2021, the Company entered into a subscription agreement ("**Subscription Agreement**") with UBS AG Hong Kong Branch ("**Manager**"), under which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds ("**Convertible Bonds**") due 2026 in an aggregate principal amount of US\$125.0 million. The Manager informed the Company that it intended to offer and sell the Convertible Bonds to no less than six independent placees (who would be independent individual, corporate and/or institutional investors). The closing price of the ordinary shares of par value US\$0.0005 each in the share capital of the Company (the "**Shares**") quoted on the Stock Exchange on the date of the Subscription Agreement, i.e. 12 January 2021, was HK\$2.020 per Share. The net proceeds from the subscription of the Convertible Bonds, after deduction of underwriting commission and expenses, amounted to approximately US\$123.1 million. The issue of the Convertible Bonds can provide the Company with additional funds at lower funding cost. Among the total net proceeds from the issuance of the Convertible Bonds, the Company intended to use the net proceeds for the repayment of existing borrowings as to approximately US\$119.0 million and, acquisitions related expenses and general corporate purposes as to approximately US\$4.1 million.

Based on the initial conversion price (subject to adjustments) of HK\$2.525 per Share and assuming full conversion of the Convertible Bonds, the Convertible Bonds will be convertible into approximately 383,881,188 new Shares (subject to adjustments) which will have an aggregate nominal value of approximately US\$191,940.59. The net price of each new Share, based on the net proceeds of US\$123.1 million and assuming the full conversion of the Convertible Bonds at the initial conversion price, is approximately HK\$2.487.

MANAGEMENT DISCUSSION AND ANALYSIS

The new Shares (if any) are to be issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Shareholders passed on 22 January 2020 to allot, issue and deal with, among other securities, up to 599,064,184 Shares. The issue of the Convertible Bonds is not subject to the specific approval of the Shareholders.

The Convertible 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 27 January 2026, being the maturity date. Subject to the conditions as stipulated in the Subscription Agreement, each Convertible Bond shall entitle the bondholder to convert such Convertible Bond into new Shares credited as fully paid at any time on or after 9 March 2021 up to the close of business on the seventh day prior to the maturity date (i.e. 27 January 2026) (both days inclusive) (unless previously redeemed, converted or purchased or cancelled). On 27 January 2021, with the fulfilment of all conditions required for the Convertible Bonds under the Subscription Agreement, the Company issued the Convertible Bonds with an aggregate principal amount of US\$125.0 million for the repayment of existing borrowings, acquisitions and general corporate purposes. Permission for the listing of, and dealing in, the Convertible Bonds and the new Shares upon conversion of the Convertible Bonds on the Stock Exchange became effective on 28 January 2021.

As at 31 August 2022, all the proceeds had been applied for the repayment of the existing borrowings, as to approximately US\$119.0 million, and general corporate purposes as to approximately US\$4.1 million. The net proceeds from the issuance of the Convertible Bonds were used according to the intentions previously disclosed by the Company. For the year ended 31 August 2023, in accordance with the then prevailing terms and conditions of the Convertible Bonds, on 3 February 2023, the Company redeemed (on a pro rata basis) 40 per cent. of the aggregate principal amount of the Convertible Bonds then outstanding (being an amount of US\$50.0 million), together with interest accrued but unpaid. As at 31 August 2023, the Convertible Bonds issued by the Company in an aggregate principal amount of US\$75.0 million remained outstanding.

Assuming there is full conversion of the Convertible Bonds at the initial conversion price of HK\$2.525 per Share, the Convertible Bonds will be convertible into approximately 230,328,713 new Shares (subject to adjustment), representing approximately 7.7% of the total number of Shares in issue as at 31 August 2023 and approximately 7.1% of the total number of Shares in issue as enlarged by the allotment and issue of the new Shares (assuming no other change in the issued share capital of the Company). Such allotment and issue of the new Shares will result in the respective shareholdings of the Shareholders being diluted by approximately 7.1%.

References are made to the announcement of the Company dated 1 June 2022, 1 August 2022, 16 August 2022, 1 September 2022, 16 September 2022, 5 October 2022, 27 October 2022, 20 January 2023, 3 February 2023, 14 April 2023, 18 April 2023, 19 June 2023, 28 June 2023, 7 July 2023, 18 August 2023 and 12 September 2023 (collectively, the “**CB Announcements**”). Unless otherwise defined, capitalised terms used in this section shall have the same meanings as those defined in the CB Announcements. The updates regarding relevant events in relation to the Convertible Bonds after the reporting period are as follows:

First occurrence of the relevant event on 23 May 2022

As disclosed in the announcement of the Company dated 1 June 2022, a relevant event (“**Applicable Relevant Event**”) occurred on 23 May 2022 on the basis that, the Shares has been suspended from trading on the Stock Exchange for a period equal to or exceeding 14 consecutive trading days. On 1 June 2022, a notice in relation to the occurrence of the Applicable Relevant Event was given by the Company to the Bondholders, regarding the Bondholders’ right under Condition 8(E) (Redemption for Relevant Event) of the Bond Conditions to require the Company to redeem all or some of each such holder’s convertible Bonds on the Relevant Event Redemption Date at the Early Redemption Amount together with interest accrued but unpaid to (but excluding) such date, by delivering a Relevant Event Redemption Notice to the Paying Agent in accordance with the Bond Conditions.

As disclosed in the announcement of the Company dated 5 October 2022, notwithstanding the occurrence of the Applicable Relevant Event, on 15 August 2022, the Consenting Bondholders entered into the First Standstill Agreement which set out, among other things, the parties' in-principle agreement to implement and otherwise give effect to the original "Proposal" as defined in the notice of meeting from the Company to the Bondholders dated 1 September 2022. The First Standstill Agreement was automatically terminated in accordance with its terms on 14 September 2022, following which the Company and the Consenting Bondholders entered into further negotiations, including in relation to the Escrow Agreement.

Second occurrence of the relevant event on 17 April 2023

- (a) as disclosed in the announcement of the Company dated 14 April 2023, despite the Company's best efforts to comply with Condition 8(E) (Redemption for Relevant Event) of the Convertible Bonds, trading in the Shares on the Stock Exchange continued to remain suspended on 17 April 2023 resulting in the occurrence of a Relevant Event;
- (b) as disclosed in the announcement of the Company dated 18 April 2023, a Relevant Event occurred on 17 April 2023 on the basis that the Shares continued to remain suspended from trading on the Stock Exchange;
- (c) upon the occurrence of a Relevant Event, the holder of each Bond would have the right, at such holder's option, to exercise the Bondholder Put Option;
- (d) as also disclosed in the announcement of the Company dated 14 April 2023, the Company shall not exercise the CIS Encumbrance Option pursuant to Condition 4(C) (Second Ranking CIS Encumbrance) of the Convertible Bonds on the basis that the creation of the Second Ranking CIS Encumbrance would trigger an 'event of default' under the New SGD Loan. Consequently, on 27 June 2023, under Condition 8(F)(ii) (Mandatory redemption) of the Convertible Bonds, the Company is required to make the Second Mandatory Redemption. However, due to the prevailing controls of the State Administration of Foreign Exchange of the PRC and other related PRC policies and regulations which are currently preventing the Company and its applicable Subsidiaries from remitting sufficient funds out of the PRC, regrettably, the Company will not have sufficient offshore funds to make the Second Mandatory Redemption on 27 June 2023, resulting in the occurrence of an Event of Default under Conditions 10(A)(i) and (v) of the Convertible Bonds;
- (e) as disclosed in the announcement of the Company dated 19 June 2023, the Exercise Period expired on 17 June 2023. As at 17 June 2023, the aggregate outstanding principal amount of the Convertible Bonds was USD75,000,000 and the aggregate principal face value of the Convertible Bonds in respect of which the Paying Agent has received a Relevant Event Redemption Notice on or prior to the expiry of the Exercise Period is USD20,200,000; and
- (f) as disclosed in the announcement of the Company dated 18 August 2023, the Company issued and disseminated to Bondholders a notice of meeting dated 18 August 2023 to request Bondholders to consider and, if thought fit, approve and pass the Extraordinary Resolution at a meeting of the Bondholders to be held on 11 September 2023, which will provide for certain amendments and waivers in relation to the Convertible Bonds.

Please refer to the announcements of the Company dated 13 January 2021, 27 January 2021, 28 January 2021, 17 January 2022 and 1 June 2022 and the offering circular of the Company dated 22 January 2021 for further details. For the relevant events after the reporting period and the updates in relation to the Convertible Bonds, please refer to the CB Announcements and the section "Subsequent Events after the Reporting Period" of this report for further details.

ADOPTION OF NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

In order to be in line with the latest legal and regulatory requirements, including (i) the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and (ii) the amendments made to Appendix 3 to the Listing Rules, which took effect on 1 January 2022, introducing a common set of core shareholder protection standards applicable to all listed issuers in Hong Kong, the Board has put forward to the Shareholders a special resolution to adopt a new memorandum and articles of association of the Company (“**New M&A**”) in substitution for, and to the exclusion of, the then constitution of the Company (“**Existing M&A**”). On 28 February 2023, a special resolution for adopting the New M&A in substitution for and to the exclusion of the Existing M&A was passed by the Shareholders at the AGM. For details of the New M&A, please refer to the announcements of the Company dated 31 January 2023 and 28 February 2023 and the circular of the Company dated 3 February 2023.

FINANCIAL REVIEW

Overview

The revenue of the Group was RMB1,151.2 million and RMB989.8 million for the financial year ended 31 August 2023 and 31 August 2022 respectively. The profit for the financial year ended 31 August 2023 and for the financial year ended 31 August 2022 was RMB5.1 million and RMB57.1 million respectively.

Revenue

The Group derives revenue from tuition fees and boarding fees from the Group’s high schools, middle schools, elementary schools, preschools and foreign national schools, summer and winter camps, sales of educational books, sales of goods and educational materials, catering services and others.

The total revenue of the Group increased by RMB161.4 million, or 16.3%, from RMB989.8 million for the financial year ended 31 August 2022 to RMB1,151.2 million for the financial year ended 31 August 2023. The increase in revenue was primary due to the increase in student enrollment as well as demand for summer and winter camps due to less impact of the Covid-19 in the PRC during the school year 2022/2023. Amongst the revenue of the Group for the financial year ended 31 August 2023, RMB465.6 million (approximately 40.4%) was contributed by the operations in the PRC, and RMB685.6 million (approximately 59.6%) was contributed by the operations overseas.

Cost of Revenue

The Group’s cost of revenue primarily consists of (i) staff costs; (ii) depreciation and amortisation; and (iii) other costs. Cost of revenue increased by RMB84.4 million, or 15.0%, from RMB563.5 million for the financial year ended 31 August 2022 to RMB647.9 million for the financial year ended 31 August 2023. The increase was largely due to the increase in staff costs and related costs of winter and summer camps in the PRC.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB77.0 million, or 18.1% from RMB426.3 million for the financial year ended 31 August 2022 to RMB503.3 million for the financial year ended 31 August 2023. Gross profit margin increased slightly from 43.1% for the financial year ended 31 August 2022 to 43.7% for the financial year ended 31 August 2023, primarily due to the higher gross profit generated by CIS as a result of good cost control.

Investment and Other Income

For the year ended 31 August 2023, 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 decreased by 83.9% from RMB140.2 million for the financial year ended 31 August 2022 to RMB22.6 million for the financial year ended 31 August 2023. Bank interest income decreased by 77.0% from RMB33.0 million for the financial year ended 31 August 2022 to RMB7.6 million for the financial year ended 31 August 2023. Gain on disposal of investment property was RMB74.7 million for the financial year ended 31 August 2022, and gain on disposal of investment property was absent for the financial year ended 31 August 2023. Rental income decreased from RMB14.6 million for the financial year ended 31 August 2022 to RMB2.6 million for the financial year ended 31 August 2023.

Other Gains and Losses

For the year ended 31 August 2023, other gains and losses consist primarily of (i) net foreign exchange gain/loss; (ii) changes in fair value of the Convertible Bonds, (iii) reversal of other payables, (iv) gain on disposal of property, plant and equipment, and (v) change in fair value of financial assets measured at fair value through profit or loss. Other gains and losses increased from RMB23.9 million for the financial year ended 31 August 2022 to RMB65.6 million for the financial year ended 31 August 2023. The increase was mainly attributable to the combined effect of the increase in net foreign exchange gain of RMB129.3 million for the financial year ended 31 August 2023, loss on fair value of convertible bonds of RMB55.8 million for the financial year ended 31 August 2023 and the absence of compensation of Zhixin Case and bargain purchase of acquisition of a subsidiary for the financial year ended 31 August 2023.

Marketing Expenses

Marketing expenses consist mainly 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 1.4% from RMB14.0 million for the financial year ended 31 August 2022 to RMB14.2 million for the year ended 31 August 2023. Marketing expenses as a percentage of revenue decreased from 1.4% for the financial year ended 31 August 2022 to 1.2% for the financial year ended 31 August 2023, primarily due to CIS conducting less marketing activities for the financial year ended 31 August 2023.

Administrative Expenses

Administrative expenses consist primarily of (i) salaries and other benefits for general and administrative staff; (ii) depreciation of property, plant and equipment and right-of-use assets; (iii) amortization of intangible assets; (iv) employee share-based payments; and (v) certain professional expenses. Administrative expenses increased by 5.8% from RMB286.4 million for the financial year ended 31 August 2022 to RMB303.1 million for the financial year ended 31 August 2023, mainly due to the increase in staff costs in CIS.

Finance Costs

For the year ended 31 August 2023, finance costs mainly represented (i) interest expenses for secured bank borrowings and other borrowings, and (ii) interest expenses for the Convertible Bonds. Finance costs increased from RMB206.2 million for the financial year ended 31 August 2022 to RMB220.7 million for the financial year ended 31 August 2023 primarily due to the net effect of the increase in interest expenses for secured bank borrowings and other borrowings and the decrease in interest expense for Convertible Bonds for the year ended 31 August 2023.

Profit before Taxation

The Group recorded a profit before taxation of RMB52.5 million for the financial year ended 31 August 2023, compared to profit before taxation of RMB84.1 million for the financial year ended 31 August 2022. Profit before taxation as a percentage of revenue of the Group was 4.6% for the financial year ended 31 August 2023 and profit before taxation as a percentage of revenue of the Group was 8.5% for the financial year ended 31 August 2022. Amongst the profit before taxation for the financial year ended 31 August 2023, before allocating Director's and chief executive's fee and headquarters expenses, profit of RMB90.5 million was contributed by the operations in the PRC, and loss of RMB6.1 million was expended by the operations overseas.

Taxation

Income tax expense of the Group increased from RMB27.0 million for the year ended 31 August 2022 to RMB47.3 million for the year ended 31 August 2023, mainly because the deferred tax assets of RMB20.7 million were recognized for the year ended 31 August 2022 and the Company utilized the deferred tax assets of RMB4.5 million during the year ended 31 August 2023.

Profit for the Year

As a result of the above factors, the Group recorded a profit of RMB5.1 million and a profit of RMB57.1 million for the financial years ended 31 August 2023 and 31 August 2022 respectively.

Capital Expenditures

For the year ended 31 August 2023, the Group paid RMB119.1 million primarily related to the construction of Shenzhen headquarters and campus expansion of CIS. For the year ended 31 August 2022, the Group paid RMB351.8 million primarily related to the construction of new buildings in Shenzhen headquarters and Hainan and campus expansion of CIS.

Liquidity, Financial Resources and Capital Structure

As at 31 August 2023, the Group's bank balances and cash amounted to RMB528.0 million, which were mainly denominated in United States dollars ("USD"), Singapore dollars ("SGD") and Malaysian ringgit ("MYR"). Bank balances and cash was RMB805.9 million as at 31 August 2022. Net cash used in financing activities amounted to RMB214.4 million, which were primarily due to the repayment of bank borrowings by the Group during the year ended 31 August 2023.

As at 31 August 2023, the Group's secured bank borrowings amounted to RMB1,101.0 million were mainly denominated in SGD and MYR with variable interest rates with reference to Singapore Interbank Offered Rate and with variable profit rate with reference to Malaysian bank's cost of fund. Of the Group's total borrowings as at 31 August 2023, 94.8% will mature within one year or on demand and the remaining will mature after one year. These bank borrowings were secured by certain of the Group's bank deposits and assets (including shares of certain subsidiaries of the Company and assets of certain subsidiaries of the Company).

As at 31 August 2023, the Convertible Bonds issued by the Company in an aggregate principal amount of USD75.0 million originally due in 2026 remained outstanding. The Convertible 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 27 January 2026.

For the relevant events after the reporting period and the updates in relation to the Convertible Bonds, please refer to the section "Subsequent Events after the Reporting Period" and "Other Information – Issuance of US\$125.0 million 2.25% Convertible Bonds due 2026" of this report for further details.

The Group expects that its future capital expenditures will primarily be financed by bank borrowings and its internal resources. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Gearing Ratio

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial year. Gearing ratio increased from 1.06 for the year ended 31 August 2022 to 1.11 for the year ended 31 August 2023 primarily due to the increase in borrowings by the Group.

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, Canadian dollars ("CAD"), MYR and SGD. As at 31 August 2023, 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

As at 31 August 2023, the Group had no contingent liabilities.

Zhixin Case

On 15 November 2016, the Company received a writ of summons from Zhixin seeking among other things, specific performance of the consultancy agreement ("**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. On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region ("**Court**") 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 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 date of hearing at the Court of First Instance of the Court for the Zhixin Case was fixed on 16 May 2022.

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

As at 31 August 2021, the Company had not made any provision in respect of the Zhixin Case, in view of the uncertainty of the outcome of the Judgment. The Company disclosed contingent liabilities in respect of Zhixin Case for the year ended 31 August 2021.

In late August 2022, the Company received the judgment on the Zhixin Case ("**Judgment**") dated 31 August 2022 from the Court. For details of the Judgment, please refer to the announcement of the Company dated 5 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the Judgment, it was ruled in favour of Zhixin and held that, among others, (1) the Company was ordered to pay damages in the amount of HK\$70,840,000 together with interest; (2) the counterclaims of the Company for misrepresentation, declaratory relief and/or restitution against Zhixin were dismissed; and (3) a costs order nisi was made that costs of the proceedings be paid by the Company to Zhixin, with certificate for two counsel, to be taxed if not agreed. Subsequent to the end of the reporting period, the Court made a further order on 23 September 2022 (“**Order of 23 September 2022**”) in relation to the amount payable in connection with the proceedings of the Zhixin Case. In accordance with the Order of 23 September 2022, the sum paid into court by the Company of approximately HK\$17.6 million were paid out forthwith to Zhixin in part satisfaction of the judgment sum in November 2022. Subsequently, Zhixin and the Company reached an agreement to settle all sums payable in connection with the Judgment and the Order of 23 September 2022 (“**Settlement**”). On 5 January 2023, in light of the Settlement reached by the parties, Zhixin and the Company jointly applied to the Court for an order to stay the enforcement of the Judgment and the Order of 23 September 2022. Pursuant to the terms of the Settlement, on 6 January 2023, a settlement sum of approximately HK\$100.6 million was paid by the Company to Zhixin (which has acknowledged receipt of such payment) to fully settle the Company of its payment obligations owed to Zhixin in respect of the Judgment inclusive of damages, costs and interests as set out in the Judgment and the Order of 23 September 2022. On 25 May 2023, the Court made an order that the full payment of approximately HK\$100.6 million paid by the Company on 6 January 2023 shall fully settle the Company’s outstanding payment obligations owed to Zhixin in respect of the judgment sum inclusive of damages, costs and accrued interests as set out in the Judgment and the Order of 23 September 2022.

Pledge of Assets and Charges on Group Assets

As at 31 August 2023, the Group pledged debt service reserve account, certain properties and shares of the offshore Group to certain licenced banks as collateral security for certain banking facilities. As at 31 August 2023, a borrowing of the Company was secured by, among others, certain fixed and floating charge and joint control and monitoring rights over cash accounts of certain subsidiaries of the Group and fixed and floating charge over all assets of certain subsidiaries of the Group.

Future Plans for Material Investments and Capital Assets

As at 31 August 2023, the Group did not have any plans for material investments and capital assets.

Material Acquisition and Disposal

The Group had no other material acquisition and disposal during the year ended 31 August 2023.

Significant Investment Held

As at 31 August 2023, no significant investment was held by the Group.

Employee Benefits

As at 31 August 2023, the Group had 1,832 (as at 31 August 2022: 1,873) 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 Group’s 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 employees’ remuneration (including directors’ remuneration) for the year ended 31 August 2023 amounted to RMB483.7 million (for the year ended 31 August 2022: RMB440.6 million). Mr. Shu Liang Sherman Jen, an executive Director and the chairman of the Board, voluntarily reduced his annual remuneration by HKD1 million for the period covering 1 January 2023 to 31 December 2023 to tide the Company over amidst the challenges.

Pension Plan

To ensure the smooth implementation of the Sixth Five-Year Plan, the Group has devised incentive plans aiming 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 the pension plan, every month a sum amounting to 3.0% 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.



DIRECTORS AND SENIOR MANAGEMENT

OUR BOARD OF DIRECTORS

Name	Age	Position/Title	Date of Appointment
Shu Liang Sherman Jen	69	Executive Director, Chairman of the Board, CEO and President of China Operations	June 2007
Jingxia Zhang	66	Executive Director and CFO	March 2008
James William Beeke	73	Executive Director and Superintendent of Global Education (other than the PRC)	April 2014 ⁽²⁾
Peter Humphrey Owen	76	Independent Non-executive Director	June 2014 ⁽¹⁾
Alan Shaver <i>(resigned with effect from 31 August 2023)</i>	76	Independent Non-executive Director	August 2019
Lap Tat Arthur Wong <i>(retired on 28 February 2023)</i>	63	Independent Non-executive Director	June 2014 ⁽¹⁾
Dr. Kem Hussain	53	Non-executive Director	January 2023
Ms. Wai Fong Wong	63	Independent Non-executive Director	January 2023
Mr. King Pak Lau	51	Independent Non-executive Director	February 2023

Notes:

- (1) Effective from the listing of the Company's shares on the Stock Exchange on 28 November 2014.
- (2) Mr. James William Beeke worked for the Group from 2005 to 2009 and again from 2014 up to now, he was appointed as Director from 12 March 2008 to 20 January 2010 and reappointed on 25 April 2014.



Executive Directors

Shu Liang Sherman Jen ("Mr. Jen"), aged 69, is our controlling Shareholder (the "Controlling Shareholder") and founder. Mr. Jen was appointed as a Director in June 2007 and was re-designated as an Executive Director and was appointed as chairman of the nomination and corporate governance committee of our Company, both taking effect on 28 November 2014, and is primarily responsible for the overall business and strategy of our Group, including the introduction of the dual diploma school model. His contributions lead us to become one of the leading international school service providers in China. He has been the chairman of the Board, CEO of our Company since 2007, and co-chief executive officer ("Co-CEO") since March 2014. Mr. Jen was re-designated as CEO on 15 August 2016 following the resignation of the other Co-CEO and was appointed as the president of China operations on 1 September 2016.

Mr. Jen is also the president of Dalian Maple Leaf International School, a subsidiary of the Company, since 1995, the chairman of Dalian Maple Leaf Educational Group Co., Ltd., a consolidated affiliated entity, since 2003, and the director of Maple Leaf Educational Systems Limited, a subsidiary of the Company, since 1992, Tech Global Investment Limited, a subsidiary of the Company, since 2007, Maple Leaf Education Asia Pacific Limited (formerly known as Hong Kong Maple Leaf Educational Systems Limited), a subsidiary of the Company, since 2009, Dalian Beipeng Educational Software Development Inc., a subsidiary of the Company, since 2011, Maple Leaf CIS Holdings Pte. Limited, a subsidiary of the Company, since March 2020. Mr. Jen was appointed as the executive director and the chairman of the Board of Directors of Kingsley Edugroup Limited ("Kingsley"), a subsidiary of the Company formerly listed on GEM of the Stock Exchange (former stock code: 8105) on 19 March 2020 and as a director of Kingsley International Sdn. Bhd., an indirect subsidiary of the Company on 30 April 2020. Mr. Jen

remained as an executive director and chairman of Kingsley after it was delisted on 24 July 2020 until it was dissolved on 31 March 2021. Mr. Jen was also appointed as a director of Star Readers Pte. Ltd., an indirect subsidiary of the Company and Canadian International School Pte. Ltd., an indirect subsidiary of the Company, both on 26 August 2020. Mr. Jen is a director of Sherman International Investment Limited (“**Sherman Int’l**”) and Sherman Investment Holdings Limited (“**Sherman Investment**”), both of which have an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Jen has more than 28 years of experience in the education industry. In 2004, he was selected as one of the most influential figures in the private education industry in China by sohu.com.

In 2005, he received the Outstanding Chinese Entrepreneur Award from the Overseas Chinese Affairs Office of the State Council of the PRC. In 2011, he was honored as one of the “Top Ten Figures of our Time” by a group of media organizations and industry associations.

In 2013, he received the Governor General’s Medallion from Mr. David Johnston, Governor General of Canada, for his contributions to international education.

In October 2014, he received the Chinese Government Friendship Award from the PRC Premier Mr. Li Keqiang and two Vice Premiers, which is the highest honor awarded by the Chinese government to foreign experts for their outstanding contributions to the modernized development of the PRC.

In 2019, he was recognised as one of the “Top 10 Most Influential Education leaders in China” by Knowledge Review, a United Kingdom leading education magazine, and was honorably featured on the cover of the August 2019 edition.

Mr. Jen received his Bachelor of Arts degree in English Language and Arts from Beijing Foreign Languages University, the PRC in May 1978, his Master of Business Administration by distance learning from the University of Wales, New Port, the United Kingdom in September 2005 and an Honorary Doctor of Laws degree (Hon. LL.D.) from Royal Roads University in British Columbia, Canada in June 2013. Mr. Jen is a resident of Hong Kong. Mr. Jen is not a resident of Canada for Canadian taxation purposes.



Jingxia Zhang (“Ms. Zhang”), aged 66, is our Executive Director and co-chief financial officer. She was appointed as a Director in March 2008 and was re-designated as an Executive Director and co-chief financial officer, both taking effect on 28 November 2014. Ms. Zhang was re-designated from co-chief financial officer to chief financial officer of our Company on 16 June 2015. She was subsequently re-designated from chief financial officer to co-chief financial officer on 1 December 2022. Ms. Zhang joined the Group in April 1995 and is primarily responsible for the overall management and financial operations of the schools in our Group. Ms. Zhang is one of the key members of the management team of the Company and has made important contributions to the Group.

Ms. Zhang was appointed as a director of Canadian International School Pte. Ltd., Star Readers Pte. Ltd. and Canadian School of Advanced Learning Pte. Ltd. since 1 September 2021. Prior to joining our Group, Ms. Zhang was the director of finance of Jilin Province Dunhua City Pharmaceutical Factory, a Chinese pharmaceutical manufacturer, where Ms. Zhang was responsible for managing its accounts and financial operations. Ms. Zhang has not held any directorship roles in any other listed companies in the last three years.

Ms. Zhang received her Financial Accounting diploma by distance learning from Jilin Accounting School, the PRC in July 1991.

DIRECTORS AND SENIOR MANAGEMENT



James William Beeke (“Mr. Beeke”), aged 73, is our Executive Director and superintendent of global education (other than the PRC) of the Group. He was appointed as a Director in April 2014 and was re-designated as an Executive Director taking effect on 28 November 2014. Mr. Beeke has been appointed as a member of our remuneration committee with effect from 26 August 2020. Mr. Beeke was also appointed as a director of Canadian International School Pte. Ltd., an indirect subsidiary of the Company, on 26 August 2020. Mr. Beeke previously served as the vice chairman of the Board and the superintendent of the British Columbia Program (“**BC Program**”) of the Group from 2005 to 2009 and again from 2014 to 2016. Mr. Beeke was appointed as the superintendent of global education (other than the PRC) of the Group and ceased to be the superintendent of the BC Program of the Group with effect from 15 August 2016. Mr. Beeke is primarily responsible for overseeing the development of the Group’s educational programs outside of the PRC.

Prior to joining our Group, Mr. Beeke was employed by the British Columbia (“**BC**”) provincial government as deputy inspector, and later, inspector for the Ministry of Education of the BC provincial government from 1996 to 1998 and from 1998 to 2005, respectively. As inspector, he was responsible for the inspection, certification and funding of all independent schools in the province, and developed and directed BC’s Offshore School Certification Program. Since September 2009, he has been president of Signum International Educational Services Inc., a company which provides educational consultant services to schools in Canada and internationally, where he was responsible for assisting schools with board governance and strategic development planning, performing school reviews, conducting principal evaluations and providing analysis and comparisons of provincial curricula. Mr. Beeke has not held any directorship roles in any other listed companies in the last three years.

Mr. Beeke received his Bachelor of Arts degree and Master of Arts degree from Western Michigan University in Michigan, United States, in December 1971 and August 1973, respectively. He received the Certificate of Qualification from the British Columbia Teachers in June 1991, Certificate of Recognition from the British Columbia Minister of Education in 1991, Certificates of Recognition from the Chinese Consulate (Vancouver, Canada) and from British Columbia Ministry of Education in June 2005 and Certificate of Honorary Award from Liaoning Provincial Government of the PRC in 2006.

Non-Executive Director



Kem Hussain (“Dr. Hussain”), aged 53, was appointed as a Non-executive Director with effect from 1 January 2023. Dr. Hussain is responsible for supervising the overall management and strategic planning of the Group.

Dr. Hussain has around 20 years of experience in education and management of educational institutions. From 2002 to 2003, Dr. Hussain worked at the Florida International University as an adjunct professor and a lecturer. From 2005 to 2019, Dr. Hussain worked at the Universal Academy of Florida, with the last position as the president and superintendent. From 2008 to 2022, Dr. Hussain worked at the Nova Southeastern University as an adjunct professor. Dr. Hussain was also the superintendent at Garden of the Sahaba Academy from 2009 to 2020 and at Salah Tawfik Elementary & Middle School from 2008 to 2020. Dr. Hussain has been the director and vice president of Cognia, Inc. (formerly AdvancED) since 2008. Dr. Hussain is also currently the president and chief executive officer of Rise University Systems, a registered postsecondary institution in San Jose, California.

Dr. Hussain obtained a Bachelor’s Degree from the Faculty of Arabic Language of the Islamic University of Medina in 1993 and a Master of Arts from The University of Manchester in 1995. Dr. Hussain also obtained a Doctor of Education from the Nova Southeastern University in 2004, after which he completed his postdoctoral studies at the Independent Schools Institute of the Harvard Graduate School of Education in 2008.

Independent Non-executive Directors



Peter Humphrey Owen (“Mr. Owen”), aged 76, was appointed as an Independent Non-executive Director in June 2014, and was appointed as a chairman of our remuneration committee and a member of our audit committee and nomination and corporate governance committee, all taking effect on 28 November 2014. With effect from 22 May 2022, Mr. Owen was appointed as a member of the independent board committee of the Board (“**IBC**”) established for, among other matters, conducting the Independent Investigation (as defined in the announcement of the Company dated 23 May 2022). Mr. Owen is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining the Group, Mr. Owen served as the vice chair of the Workers Compensation Review Board of BC in 1986. He subsequently held various positions at the Ministry of Education of the BC provincial government until May 2011, including the positions of director, executive director, and assistant deputy minister, responsible for education related legislation, governance, international education, policy and planning, and a variety of program areas. Mr. Owen has not held any directorship roles in any other listed companies in the last three years.

Mr. Owen received a Bachelor of Arts degree from Simon Fraser University, Canada in May 1976 and a Bachelor of Laws degree (LLB) from the University of British Columbia, Canada in May 1979.

DIRECTORS AND SENIOR MANAGEMENT



Alan Shaver (“Mr. Shaver”), aged 76, was appointed as an Independent Non-executive Director and a member of audit committee, remuneration committee and nomination and corporate governance committee, all taking effect from 31 August 2019. With effect from 22 May 2022, Mr. Shaver was appointed as a member of the IBC. Mr. Shaver resigned as an independent non-executive Director and ceased to be a member of each of the audit committee, the remuneration committee, the nomination and corporate governance committee and the IBC, all with effect from 31 August 2023. Mr. Shaver was primarily responsible for supervising and providing independent judgment to our Board.

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. He ceased to act as a member and the chairman of the board of directors of Innovate BC, a BC provincial Crown Agency whose mission is to promote the growth of BC’s high tech economy, with effect from 16 March 2021. Prior to that, Mr. Shaver served as the president and vice chancellor of Thompson Rivers University from 2010 to 2018, and served as the vice president academic and provost of Dalhousie University from 2006 to 2010. From 1975 to 2006, Mr. Shaver held various positions in McGill University, including assistant professor, associate professor, professor, chair of the Department of Chemistry, and dean of the Faculty of Science. He also worked at the University of Western Ontario from 1972 to 1975, where he served as a National Research Council Postdoctoral Fellow and Department of Chemistry teaching fellow. Mr. Shaver has not held any directorship roles in any other listed companies in the last three years.

Mr. Shaver completed his Bachelor of Science degree in Carleton University majoring in chemistry in 1969, and obtained his doctorate degree in Organometallic Chemistry at Massachusetts Institute of Technology in 1972.



Lap Tat Arthur Wong (“Mr. Wong”), aged 63, was appointed as an Independent Non-executive Director in June 2014, and was appointed as the chairman of the audit committee on 28 November 2014. With effect from 22 May 2022, Mr. Wong was appointed as a chairman of the IBC. He retired at the conclusion of the AGM and in that connection, ceased to be the chairman of each of the audit committee and the IBC.

Mr. Wong was primarily responsible for supervising and providing independent judgment to our Board.

From 1982 to 2008, Mr. Wong held various positions in Deloitte Touche Tohmatsu in Hong Kong, San Jose and Beijing, with the latest position as a partner in the Beijing office. He subsequently served as the CFO in the following companies: Asia New-Energy Holdings Pte. Ltd., a manufacturer of fertilizer, chemicals and new energy products, from 2008 to 2009; Nobao Renewable Energy Holding Ltd., a renewable energy company, from March 2010 to November 2010; GreenTree Inns Hotel Management Group, Inc., an economy hotel chain from 2011 to 2012; and Beijing Radio Cultural Transmission Company Limited, a music production and music data management service company, from January 2013 to November 2018.

Mr. Wong previously served as an independent non-executive director and the chairperson of the audit committee of China Automotive Systems, Inc., an automotive systems and components manufacturer listed on NASDAQ (stock code: CAAS) from May 2012 to July 2019, and Tarena International, Inc., a provider of adult professional education and childhood & adolescent quality education services listed on NASDAQ (stock code: TEDU) from 1 March 2020 to 28 February 2022. He currently serves as an independent non-executive director and the chairperson of the audit committee of the following listed companies: Daqo New Energy Corp., a polysilicon manufacturer listed on NYSE (stock code: DQ) since 24 December 2012, Canadian Solar Inc, a global solar energy provider listed on NASDAQ (stock code: CSIQ) since 1 March 2019, and Microvast Holdings, Inc., a lithium-ion battery manufacturer listed on NASDAQ (stock code: MVST) since 23 July 2021.

Mr. Wong received a Higher Diploma in Accountancy from The Hong Kong Polytechnic University in November 1982 and a Bachelor of Science degree in Applied Economics from University of San Francisco in December 1988. He became an associate and subsequently a fellow of the Hong Kong Institute of Certified Public Accountants in 1985 and 1995, respectively. He became a fellow of the Association of Chartered Certified Accountants in 1990 and a member of the American Institute of Certified Public Accountants in 1992.



Wai Fong Wong (“Ms. Wong”), aged 63, was appointed as an Independent Non-executive Director with effect from 1 January 2023. Ms. Wong is primarily responsible for supervising and providing independent judgment to the Board. Ms. Wong was appointed as a member of each of the audit committee, the remuneration committee, the nomination and corporate governance committee and the IBC with effect from 31 August 2023.

Ms. Wong has 40 years of global financial experience covering central banks, multinational corporations, listed companies and family offices. Ms. Wong joined The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) as a Foreign Exchange Dealer Trainee in September 1982, becoming the first woman foreign exchange bank dealer in Hong Kong and was subsequently seconded to HSBC London in 1983. After the secondment, her last position with the HSBC group was Senior Dealer – Treasury Products (Foreign Exchange & Treasury Department) in April 1990. Since then, she has worked and held different senior management positions with various global banks, which included the Hongkong Bank of Canada (now known as HSBC Bank Canada) (“**HSBC Canada**”), the National Westminster Bank PLC’s Hong Kong office, the Hong Kong office of Westdeutsche Landesbank Girozentrale (WestLBAG) Bank, a German state-backed merchant bank, and Standard Chartered Bank (Hong Kong) Limited. In 2007, Ms. Wong joined Goldman Sachs (Asia) L.L.C. in Hong Kong as an executive director of the Institutional Wealth Management of the Investment Management Division. She subsequently acted as an executive director at the Investment Banking Division of Goldman Sachs (Asia) L.L.C. in Hong Kong from 2011 to 2016. Ms. Wong has been a co-founder and managing partner of Alpha Grand Consulting Group Ltd and Alpha Grand Real Estate Ltd, global financial consultancy firms headquartered in Hong Kong with representatives in Italy and Canada covering the European and North American markets since January 2017. She is responsible for managing proprietary real estate investment portfolios in the UK and Canada.

Ms. Wong obtained a Bachelor of Social Sciences from the University of Hong Kong in 1982. She obtained a Master of Business Administration from the Chinese University of Hong Kong and a Master of Laws in Corporate and Financial Law from the University of Hong Kong in 1989 and 2020 respectively. Ms. Wong obtained the Diploma in Management Consulting and Change from The University of Hong Kong and The Poon Kam Kai Institute of Management in 1999. She completed the Harvard Negotiation Master Class from Harvard Law School with a Certificate in 2021.



King Pak Lau (“Mr. Lau”), aged 51, was appointed as an Independent Non-executive Director and the chairman of each of the audit committee and the IBC with effect from 28 February 2023. Mr. Lau is primarily responsible for supervising and providing independent judgment to the Board.

Mr. Lau has more than 25 years’ experience in the accounting and auditing industry. Mr. Lau obtained a bachelor degree of Business Administration in Accounting from the Hong Kong University of Science and Technology in 1995.

Mr. Lau worked at KPMG from August 1995 to January 1997, with his last position as accountant. Mr. Lau worked in Beijing office of Ernst & Young from September 2000 to April 2011, with his last position as a partner. Mr. Lau joined Deloitte and was a partner from April 2011 to January 2021. He was a managing director of MC CPA Ltd, a certified public accountant firm in Hong Kong from January 2022 to November 2022.

Mr. Lau is a practicing member of the Hong Kong Institute of Certified Public Accountants and holds a Certified Public Accountant (Practising) certificate issued by Accounting and Financial Reporting Council.

Mr. Lau previously served as a non-executive director, member of the audit committee, the nomination committee and the remuneration committee of DreamEast Group Limited (Stock Code: 593), the shares of which are listed on the Stock Exchange, from 17 June 2022 to 28 June 2023.

OUR SENIOR MANAGEMENT

Name	Age	Position
Shu Liang Sherman Jen	69	CEO and President of China Operations
Jingxia Zhang	66	CFO
James William Beeke	73	Superintendent of Global Education (other than the PRC)
Patrick Thalheimer	63	Superintendent (the PRC)

The biography of each member of the senior management team (other than our Executive Directors) is set out below:



Patrick Thalheimer (“Dr. Thalheimer”), aged 63, was appointed as superintendent of the BC program in China and Maple Leaf World School Program on 15 August 2023, overseeing the educational program for the Group’s schools in the PRC. He joined the Group on 15 August 2021 as principal of Wuhan Maple Leaf International School, and then assumed the role of assistant superintendent on April 1, 2022.

Dr. Thalheimer has 31 years of experience in public education in Canada, with 28 years in administrative roles in schools. He has also worked overseas as a principal in Guangzhou, China and Bahrain for 3 years. He has given presentations at both national and international conferences in Canada and China.

Dr. Thalheimer earned a Bachelor of Education degree from the University of Calgary in 1984, a Master of Education degree in Curriculum and Administration from Gonzaga University in 1991, and an education Doctorate from the University of Calgary in 2015.

COMPANY SECRETARY



Shu Ling Jen (“Ms. Jen”), has been appointed as the company secretary and authorised representative of the Company for the purpose of Rule 3.05 of the Listing Rules since 28 April 2021. Ms. Jen joined the Group in February 2010, and is currently the financial manager of the Company in Hong Kong office and assistant to CFO in head office. Ms. Jen is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute (formerly known as “The Institute of Chartered Secretaries and Administrators”) in the United Kingdom.

Ms. Jen holds a degree of Master of Corporate Governance and a degree of Bachelor of Science with Honours in Accounting.

REPORT OF THE DIRECTORS

The Board of China Maple Leaf Educational Systems Limited present their report together with the audited consolidated financial statements of the Group for the year ended 31 August 2023.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 5 June 2007 as an exempted company with limited liability. The principal place of business of the Company in Hong Kong is located at Room 1302, 13/F., Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong.

The Company's shares ("**Shares**") were listed (the "**Listing**") on the Main Board of the Stock Exchange on 28 November 2014 ("**Listing Date**").

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is a leading international school operator in the PRC under the "Maple Leaf" brand and in the Southeast Asia under the brand of CIS and KIS. We officially implemented World School Program at the commencement of the 2020/2021 school year in high schools in China, which is China's first internationally accredited curriculum with self-developed intellectual property. World School Program has become a globally certified course after A-Level and IB programs and has filled the gap in China's international education program. A list of the Company's principal subsidiaries, together with their date and places of incorporation, operation and principal activities, etc., is set out in note 45 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 August 2023, the reserves available for distribution to the Shareholders were approximately RMB217.6 million. Details of the movements in the reserves of the Group for the year ended 31 August 2023 are set out in the consolidated statement of changes in equity on page 95 of this report.

BUSINESS REVIEW

A fair review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Letter from the Chairman" and "Management Discussion and Analysis" of this report. These discussions form part of this report.

Principal Risks and Uncertainties

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" under "Contractual Arrangements" in this report, the following list is a summary of certain principal risks and uncertainties facing the Group.

- Our operations and business prospects;
- Our business and operating strategies and our ability to implement such strategies;
- Our ability to develop and manage our operation and business;
- Our business depends on the market recognition of our Maple Leaf brand, CIS brand and KIS brand;
- Our ability to maintain or increase student enrolment in our schools;
- Our ability to maintain or increase tuition fees;

- Our ability to control our operating costs;
- Competition in the education industry where we serve;
- Our business depends on our ability to recruit and retain dedicated and capable teachers and other school personnel;
- Ability to obtain or renew the necessary licenses or government approvals for our business and operations;
- Changes to regulatory and operating conditions in the education industry where we serve, in particular, the regulatory changes under the new law and new policies;
- The recognition of the World School Program; and
- The COVID-19 pandemic.

Some of the above risks and uncertainties are beyond the Group's control and should any of these occur, the Group's business, financial position and results of operation may be materially adversely affected.

In addition, the Group also faces various market risks. In particular, the Group is exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of the Group's business. In order to meet these challenges, the Group has established the following structures and measures to manage the Group's risks:

- the Board is responsible for and has general powers over the management and operation of our schools, and is in charge of the overall risk control of the Group. Any significant business decision involving material risks, such as decisions to expand into new geographic regions or to raise tuition fees, is reviewed, analysed and approved at the board level to ensure a thorough examination of the associated risks at the Group's highest corporate governance body;
- the Group maintains insurance coverage which we believe is in line with the customary practice in the PRC education industry. The Group also adopts health and safety measures on our campuses to safeguard our students' wellbeing; and
- the Group has made arrangements with banks to ensure that the Group is able to obtain credits to support its business operation and expansion.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares. As recommended under "Review of Disclosure in Issuer's Annual Reports to Monitor Rule Compliance Report" and "Review of Issuers' Annual Report Disclosure" issued by the Stock Exchange from time to time, the Company discussed specifically how the major risk areas would affect the business operations, the potential financial impact, and whether they had undertaken any measure to manage risk areas.

Environmental Policies and Performance

The Group realises the importance of environmental protection in pursuing long-term sustainability. We have developed various internal energy conservation and emission reduction systems to promote energy saving and emission control in our headquarters and schools including managing the emissions generated from and resources used by the canteens. The Group is committed to improving environmental sustainability and will closely monitor its performance. We always strictly comply with the applicable laws and regulations at where we operate schools, such as the Environmental Protection Law of the People's Republic of China* (中華人民共和國環境保護法). These policies are supported by our staff and were implemented effectively. During the financial year ended 31 August 2023, we have not been subject to any fines or other penalties due to non-compliance with any health, safety or environmental regulations. For details, please refer to our Environmental, Social and Governance ("ESG") Report for the year ended 31 August 2023 which will be available on the Company's website under the "Investors" section and the website of the Stock Exchange at the same time as the publication of this annual report.

* For identification purpose only

Compliance with Relevant Laws and Regulations

During the year ended 31 August 2023, the Group was not aware of material non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

Relationships with employees, customers and suppliers

(a) Employees

The Group believes that employees are valuable assets. The Group provides a competitive remuneration package to attract and motivate employees. Please refer to the section headed “Management Discussion and Analysis – Employees Benefits” for further details. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group is also passionately committed to developing staff and provides employees with rewarding career paths and a friendly working environment.

(b) Customers

The Group strives to achieve corporate sustainability in providing quality services to our customers. To ensure continuous improvement of the quality of services, the Group regularly reviews its curriculum and teaching materials in order to ensure that the quality of education delivered by the Group meets the standard set by various educational institutions around the world. The Group believes that maintaining a high admission rate to top-ranked universities can help strengthen its market competitiveness in the industry. As at the date of this report, 1,145 Maple Leaf Class 2023 students received 4,282 letters of acceptance from 236 universities and colleges in 18 countries and regions. Approximately 80.2% of Class 2023 students received letters of acceptance from QS Top 100 universities. Moreover, 17 of them received letters of acceptance from QS Top 10 universities.

(c) Suppliers

The Group understands the importance of working closely with our suppliers to ensure the sustainability of our business. The Group has established long standing relationships with our suppliers to ensure they share our commitment to quality and ethics.

Save for the disclosure in this report, there were no material and significant disputes between the Group and its employees, customers and/or suppliers during the financial year ended 31 August 2023.

FINANCIAL RESULTS

The results of the Group for the year ended 31 August 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 92 of this report.

DIVIDENDS

The Board has resolved not to recommend any dividend for the year ended 31 August 2023.

Dividend Policy

On 9 November 2018, the Board adopted a dividend policy which sets out the principles and guidelines of the Group. The Company intends to distribute no less than 40% of its annual adjusted net profits as dividends to its Shareholders. The declaration and payment of dividends shall be determined at the sole and absolute discretion of the Board which shall take into account the Company’s financial results, cash flow position, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of the Shareholders, any restrictions on dividend payment and any other factors considered relevant by the Board. A dividend may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits deemed appropriate by the Board.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the five years ended 31 August 2023 is set out in the section headed “Five-Year Financial Summary” on pages 7 to 9 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties as at 31 August 2023 are set out in note 19 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

As at 31 August 2023, the Group maintained variable interest rate bank loans secured by certain properties and shares of the offshore group to finance the acquisition of overseas schools.

SPECIFIC PERFORMANCE OBLIGATION ON CONTROLLING SHAREHOLDER 2020 Term Loan Facility

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) entered into a facility agreement (the “**2020 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 “**2020 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 2020 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 utilisation 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 2020 Term Loan Facility, the “**Facilities**”). On 26 August 2020, a deed of novation was entered into between, among others, Maple Leaf CIS Holdings Pte. Limited as original borrower, Canadian International School Pte Ltd as new borrower, the Company as guarantor and certain lenders pursuant to which the 2020 Term Loan Facility was novated from Maple Leaf CIS Holdings Pte. Limited as original borrower to Canadian International School Pte Ltd as new borrower.

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

- i. 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 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;

REPORT OF THE DIRECTORS

- 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.

In light of the dilution impact of the Convertible Bonds which were issued in January 2021, the lenders of the Facility Agreements have granted a waiver to reduce the threshold of Mr. Jen's ownership requirement under the Facility Agreements from 45% to 40% such that no change of control (for the purpose of the Facility Agreements) 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.

Please refer to section headed "Management Discussion and Analysis – Other Information – Issuance of US\$125.0 million 2.25% Convertible Bonds due 2026" and the announcements of the Company dated 13 January 2021, 27 January 2021 and 28 January 2021 and the offering circular of the Company dated 22 January 2021 for further details of the issuance of the Convertible Bonds.

In late January 2021, the Bridge Loan was fully settled. On 4 January 2023, following the full payment and discharge of the secured liabilities by the new borrower Canadian International School Pte Ltd and the other obligors, the lenders agreed to release and discharge all security documents and the parties agreed to grant the release and executed a deed of discharge, release and reassignment.

2022 Term Loan Facility

On 22 December 2022, CIS Pte Ltd (as a borrower) ("**Borrower**"), among others, and certain lenders ("**2022 Lenders**") entered into the term loan facility agreement ("**2022 Term Loan Facility Agreement**") pursuant to which the 2022 Lenders agreed to make available the term loan facility ("**2022 Term Loan Facility**") in an aggregate amount up to USD143,000,000 with a final maturity date being either (i) the date falling 18 months after the utilisation date of the 2022 Term Loan Facility or (ii) the date falling 30 months after the utilisation date of the 2022 Term Loan Facility ("**Extended Final Repayment Date**"). The Borrower may request the final maturity date be extended to the Extended Final Repayment Date by submitting a written request notice in accordance with the terms of 2022 Term Loan Facility Agreement. The proceeds of the 2022 Term Loan Facility would be used for refinancing of existing indebtedness of the Group (including the amounts outstanding under or in connection with the 2020 Term Loan Facility Agreement), financing the payment of the aggregate cash consideration payable by Maple Leaf CIS for the acquisition of the remaining 10% of the Target Company, payment of expenses in connection with the 2022 Term Loan Facility and the general working capital requirements of the Group. The 2022 Term Loan Facility Agreement imposes, among other things, specific performance obligations on the controlling shareholder of the Company. As at the date of this annual report, Mr. Jen and Sherman Investment Holdings Limited (indirectly wholly owned by a discretionary trust, of which Mr. Jen is the founder who can influence how the trustee exercises his discretion) ("**Sherman Investment**") are the controlling shareholders who were interested or deemed to be interested in 1,570,858,010 Shares and 1,483,639,818 Shares respectively (representing approximately 52.44% and 49.53% of the total issued share capital of the Company respectively).

Pursuant to the 2022 Term Loan Facility Agreement, a change of control event occurs (among other matters) if:

- i. Mr. Jen and each of his immediate family members (taken together) do not or cease directly or indirectly to:
 - a. have the power (whether by way of ownership of shares, contract, agency or otherwise) to cast, or control the casting of, more than 30% of the maximum number of votes that might be cast at a general meeting of the Company; or
 - b. beneficially own and control more than 30% of the issued share capital of the Company; or

- ii. any person or persons acting in concert (other than Mr. Jen and each of his immediate family members) (whether directly or indirectly and whether individually or together) beneficially owns and controls more of the issued voting share capital of the Company than Mr. Jen and each of his immediate family members (taken together).

If a change of control event abovementioned occurs:

- a. the Borrower shall promptly (and in any case no later than 1 business day of becoming aware of that event) notify the agent; and
- b. irrespective of whether the Borrower has complied with paragraph (a): (i) no Lender shall be obliged to participate in the making of the loan; and (ii) each available commitment of each 2022 Lender will be immediately cancelled and reduced to zero and the loan drawn under the 2022 Term Loan Facility, together with accrued interest, and all other amounts accrued or outstanding under the finance documents, shall become immediately due and payable.

For details, please refer to the announcement of the Company dated 22 December 2022.

DISCLOSURE PURSUANT TO RULES 13.18, 13.19 AND 13.21 OF THE LISTING RULES

As a result of the Implementation Regulations, the Directors reassessed the contractual arrangements relating to certain affiliated entities, which were used to be consolidated for the previous financial years and concluded that the Group ceased its control over the Affected Schools by 31 August 2021 and thus the Affected Schools were deconsolidated from the consolidated financial statements of the Group as of 31 August 2021. The deconsolidation has resulted in the financial results of the Affected Schools having been classified as discontinued operations on 31 August 2021 and the Group recorded one-off losses upon deconsolidation of the Affected Schools.

The net assets held by the Affected Schools were approximately RMB2.9 billion upon deconsolidation as at 31 August 2021 and an aggregate one-off losses upon deconsolidation of the Affected Schools were recognised during the year ended 31 August 2021 and included in the losses from discontinued operations. Such loss, together with other impairment loss recognised by the Group as a result of the deconsolidation, has substantially reduced the earnings of the Group and thus resulted in a non-compliance of certain financial covenants under the 2020 Term Loan Facility Agreement. For further details, please refer to note 31 to the consolidated financial statements in the 2022 annual report.

Notwithstanding the non-compliance of certain financial covenants under the 2020 Term Loan Facility Agreement, in late January 2021, the 2020 Term Loan was fully settled.

For details of the obligation arising under Rule 13.18 of the Listing Rules i.e. the loan agreement with covenants relating to specific performance of the controlling shareholder, please refer to the section headed "Specific Performance Obligation on Controlling Shareholder – 2022 Term Loan Facility" in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the financial statements.

PERMITTED INDEMNITY

In accordance with article 33.1 of the Company's articles of association ("**Articles of Association**"), every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. Such permitted indemnity provision for the benefit of the Directors was in force during the year and has remained in force as of the date of this report.

DIRECTORS

The Directors during the year ended 31 August 2023 and up to the date of this report were as follows:

Executive Directors:

Mr. Shu Liang Sherman Jen
Ms. Jingxia Zhang
Mr. James William Beeke

Non-executive Director:

Dr. Kem Hussain*

Independent Non-executive Directors:

Mr. Peter Humphrey Owen
Mr. Alan Shaver[^]
Mr. Lap Tat Arthur Wong[#]
Ms. Wai Fong Wong^{*}
Mr. King Pak Lau^{**}

* appointed with effect from 1 January 2023

** appointed with effect from 28 February 2023

retired on 28 February 2023

[^] resigned with effect from 31 August 2023

In accordance with article 16.18 of the Company's Articles of Association, Mr. Jen and Mr. Peter Humphrey Owen have retired by rotation at the AGM and, being eligible, have offered themselves for re-election at the AGM. Dr. Kem Hussain and Ms. Wai Fong Wong who have been appointed by the Board with effect from 1 January 2023 held office until the AGM pursuant to Article 16.2 of the Articles of Association and offered themselves for re-election at the AGM. Mr. Lap Tat Arthur Wong retired from office as an Independent Non-executive Director with effect from the conclusion of the AGM and did not offer himself for re-election. Mr. Lap Tat Arthur Wong has confirmed that he has no disagreement with the Board and there are no other matters that need to be brought to the attention of the Shareholders in relation to his retirement. In accordance with article 16.18 of the Articles of Association, Ms. Jingxia Zhang, Mr. James William Beeke and Mr. Peter Humphrey Owen will retire by rotation at the forthcoming annual general meeting to be held in 2024 and, being eligible, will offer themselves for re-election. In addition, Mr. King Pak Lau who has been appointed by the Board with effect from 28 February 2023 shall hold office until the next following general meeting pursuant to Article 16.2 of the Articles and Association.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of our Executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as Executive Directors until the year ending 31 August 2025. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

Our Non-executive Director has signed a letter of appointment with our Company. The term of office of our Non-executive Director will end on 31 August 2025. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

Each of our Independent Non-executive Directors has signed a letter of appointment with our Company. The term of office of our Independent Non-executive Directors will end on 31 August 2025, except that, the letter of appointment of Mr. King Pak Lau with the Company will end on 28 February 2026. Either the Company or the Director has the right to give the other party not less than three months prior written notice to terminate the agreement.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2023 are set out in note 13 to the financial statements. Save as disclosed in note 13 to the financial statements, there has been no arrangement under which any Director has waived or agreed to waive any emoluments.

Directors' remuneration is determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office. The Directors anticipate that they will periodically review the compensation levels of key executives of the Group. Based on the Group's performance and the executives' respective contributions to the Group, the Directors may, with the approval of the Company's remuneration committee, grant salary increases or pay bonuses to executives. All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 42 to the financial statements headed "Related Party Transactions and Balances" and the section headed "Contractual Arrangements" of this report below, neither Director nor any entity connected with any of our Directors had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2023 or at any time during the year ended 31 August 2023.

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During the year ended 31 August 2023, neither our Controlling Shareholders (as defined in the Listing Rules) nor any of our Directors were interested in the business of operating international schools or educational institutions, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 August 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Incentive Schemes" of this report, at no time during the year ended 31 August 2023 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Other information – Issuance of US\$125.0 million 2.25% Convertible Bonds due 2026" in "Management Discussion and Analysis" of this report and "Share Incentive Schemes" of this report, there was no equity-linked agreement entered into by the Company during the year ended 31 August 2023 or subsisting at the end of this financial year. The disclosure in the aforementioned section in the "Management Discussion and Analysis" forms part of this report.

CONTRACTUAL ARRANGEMENTS

Due to restrictions in the PRC laws and regulations on foreign investment in schools that offer compulsory education and not-for-profit preschools in China, we have entered into a number of continuing agreements and arrangements ("**Contractual Arrangements**" or "**VIE Agreements**") with certain consolidated affiliated entities in the PRC solely for the purpose of operating the Group's relevant business in China. Some of these agreements and arrangements have been entered into with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the Contractual Arrangements.

Reasons for the Contractual Arrangements

The PRC laws and regulations currently prohibit foreign participation in private schools that provide compulsory education and not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related parties transactions. Furthermore, although the PRC laws and regulations allow foreign investment in foreign nationals schools and high schools, government authorities either impose restrictions in this respect or, as a matter of policy, withhold approval for such ventures altogether (as discussed further below in the section headed "Updates in Relation to the Qualification Requirement"). The Contractual Arrangements among us, Dalian Beipeng Educational Software Development Inc. ("**Beipeng Software**"), Shenzhen Beipeng Educational Software Development Inc. ("**Shenzhen Beipeng Software**"), our consolidated affiliated entities and shareholders of our consolidated affiliated entities are therefore necessary to achieve our business objectives, although they have been as narrowly tailored as possible so as to minimize potential conflict with current PRC laws and regulations.

Particulars of the consolidated affiliated entities and their registered shareholders are as follows:

- (1) Dalian Maple Leaf Education Group Co., Ltd ("**Dalian Educational Group**") is a limited liability company established in the PRC on 23 May 2003, the registered shareholders of which is Ms. Shu'E Ren (the "**Founder's sister**"), a sister of Mr. Shu Liang Sherman Jen ("**Founder**"). Dalian Educational Group is principally engaged in investment in private K-12 education in the PRC.

- (2) Shenzhen Maple Leaf Education Group Co., Ltd (“**Shenzhen Educational Group**”) is a limited liability company established in the PRC on 1 June 2021, the registered shareholders of which are Ms. Lihua Liu and Ms. Tingting Sun, both are independent third parties. Shenzhen Educational Group is principally engaged in investment in private K-12 education in the PRC.
- (3) Dalian Youwen Science and Education Co., Ltd. (“**Dalian Youwen**”) (formerly known as Dalian Science and Education Co., Ltd.) is a limited liability company established in the PRC on 9 January 2003, the registered shareholders of which are Ms. Shu’E Ren and Dalian Educational Group. Dalian Youwen is principally engaged in investment in private K-12 education in the PRC.

Our Directors (including the Independent Non-executive Directors) consider that the Contractual Arrangements have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 26 to 32 of the Company’s prospectus dated 18 November 2014 (“**Prospectus**”).

1. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, we could be subject to severe penalties and our business may be materially and adversely affected.
2. Our Contractual Arrangements may not be as effective in providing control over our consolidated affiliated entities as equity ownership.
3. Any failure by our consolidated affiliated entities or their respective ultimate shareholders to perform their obligations under our Contractual Arrangements would potentially lead to us having to incur additional costs and expend substantial resources to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.
4. The ultimate owners of our consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.
5. Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.
6. The Contractual Arrangements between Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf International School (High School) (“**Dalian Maple Leaf High School**”) may subject our Group to increased income tax due to the different income tax rates applicable to Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf High School, which may adversely affect our results of operations.
7. Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our net income and the value of our investment.
8. We rely on dividends and other payments from Beipeng Software and Shenzhen Beipeng Software to pay dividends and other cash distributions to our shareholders.
9. Our consolidated affiliated entities and Dalian Maple Leaf High School may be subject to significant limitations on their ability to operate private education or make payments to related parties or otherwise be materially and adversely affected by changes in the PRC laws and regulations.

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10. The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could result in a decrease of our net income and materially and adversely affect our results of operations.
11. If any of our PRC subsidiaries or consolidated affiliated entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenue and the market price of our Shares.
12. Our exercise of the option to acquire the equity interests of our consolidated affiliated entities may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2023 are as follows:

- (i) an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into by and among Beipeng Software, Dalian Educational Group and its subsidiary entities, including but not limited to companies, schools and other entities which it directly or indirectly holds more than 50% interests of, and Founder's Sister, pursuant to which Dalian Educational Group and the Founder's Sister agreed to engage Beipeng Software as the exclusive service provider to provide Dalian Educational Group and its subsidiary entities with comprehensive business management consultancy and educational consultancy services, intellectual property licenses, technical support and business support services, and in return, Beipeng Software will charge for the services; and various letters of acceptance of rights and obligations* (權利義務承受函) entered into between Dalian Educational Group and its subsidiary entities, pursuant to which each of the newly added subsidiary entities became a party to the said exclusive management consultancy and business cooperation agreement with all the rights and obligations of a party thereunder at any time after the said exclusive management consultancy and business cooperation agreement took effect;
- (ii) an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into by and between Beipeng Software and Dalian Maple Leaf High School, pursuant to which Dalian Maple Leaf High School agreed to engage Beipeng Software as the exclusive service provider to provide Dalian Maple Leaf High School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;
- (iii) an exclusive management consultancy and business cooperation agreement dated 22 August 2014 and entered into by and among Beipeng Software, Dalian Maple Leaf Foreign Nationals School ("**Dalian Foreign School**"), Wuhan Maple Leaf Foreign Nationals School ("**Wuhan Foreign School**") and the Founder, pursuant to which Dalian Foreign School, Wuhan Foreign School and the Founder agreed to engage Beipeng Software as the exclusive service provider to provide Wuhan Foreign School and Dalian Foreign School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;
- (iv) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder's Sister part or all of her equity interests in Dalian Educational Group for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (v) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Youwen and the Founder's Sister, pursuant to which the Founder's Sister granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder's Sister part or all of her equity interests in Dalian Youwen for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

* For identification purpose only

- (vi) an exclusive call option agreement dated 22 August 2014 and entered into by and among our Company, the Founder and Wuhan Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Wuhan Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (vii) an exclusive call option agreement dated 11 May 2014 and entered into among our Company, the Founder and Dalian Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Dalian Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (viii) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Educational Group to Beipeng Software to guarantee the performance of the obligations of the Founder's Sister and Dalian Educational Group and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (i)), the exclusive call option agreement (as described in item (iv)), and power of attorney (as described in item (x));
- (ix) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian Youwen and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Youwen to Beipeng Software to guarantee the performance of the obligations of Dalian Youwen and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (i)), the exclusive call option agreement (as described in item (v)) and power of attorney (as described in item (x));
- (x) a power of attorney executed by the Founder's Sister dated 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as her attorney-in-fact to exercise the shareholder's rights in Dalian Educational Group and Dalian Youwen;
- (xi) a power of attorney executed by the Founder dated 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as his attorney-in-fact to exercise the shareholder's rights in Dalian Foreign School and Wuhan Foreign School (items (i) to (xi) collectively referred to as the "**2014 Contractual Arrangements**").

On 22 September 2017, Education Department of Zhejiang Province issued an administrative licensing decision (Zhe Jiao Xu Ke [2017] No. 23) approving to change the sponsor of Yiwu Maple Leaf Foreign Nationals School ("**Yiwu Foreign School**") from the Founder to Beipeng Software. Yiwu Foreign School, Beipeng Software, the Company and the Founder entered into a VIE termination agreement on 8 November 2018, which terminated the relevant VIE agreements for Yiwu Foreign School ("**Termination**"), including: (i) the exclusive management consultancy and business cooperation agreement entered into among Beipeng Software, Yiwu Foreign School and the Founder on 22 June 2016, (ii) the exclusive call option agreement entered into among the Company, the Founder and Yiwu Foreign School on 22 June 2016, and (iii) the power of attorney executed by the Founder on 22 June 2016. Upon the completion of the Termination, Yiwu Foreign School was transferred to the Group and as at the date of this report, Yiwu Foreign School is directly held by Beipeng Software and not subject to VIE Agreements;

- (xii) an exclusive management consultancy and business cooperation agreement dated 30 August 2021 and entered into by and among Shenzhen Beipeng Software, Shenzhen Educational Group and its subsidiary entities, including but not limited to companies, schools and entities which it directly or indirectly holds more than 50% interests of, pursuant to which Shenzhen Educational Group agreed to engage Shenzhen Beipeng Software as the exclusive service provider to provide Shenzhen Educational Group and its subsidiary entities with comprehensive business management consultancy and educational consultancy services, intellectual property licenses, technical support and business support services, and in return, Shenzhen Beipeng Software will charge for the services;

REPORT OF THE DIRECTORS

- (xiii) an exclusive call option agreement dated 30 August 2021 and entered into by and among our Company, Shenzhen Educational Group, Ms. Lihua Liu (“**Ms. Liu**”), and Ms. Tingting Sun (“**Ms. Sun**”), pursuant to which Ms. Liu and Ms. Sun granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from Ms. Liu and Ms. Sun part or all of the equity interests in Shenzhen Educational Group for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (xiv) an equity pledge agreement dated 30 August 2021 and entered into by and among Shenzhen Educational Group, Ms. Liu, Ms. Sun and Shenzhen Beipeng Software, pursuant to which Ms. Liu and Ms. Sun pledged all of the equity interests in Shenzhen Educational Group to Shenzhen Beipeng Software to guarantee the performance of the obligations of Ms. Liu, Ms. Sun and Shenzhen Educational Group and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (xii)), the exclusive call option agreement (as described in item (xiii)), and power of attorney (as described in item (xv));
- (xv) a power of attorney executed by Ms. Liu and Ms. Sun dated 30 August 2021 appointing Shenzhen Beipeng Software, or nominee(s) of Shenzhen Beipeng Software, as the attorney-in-fact to exercise the shareholders’ rights in Shenzhen Educational Group (items (xii) to (xv) collectively referred to as the “**2021 Contractual Arrangements**”);
- (xvi) on 18 November 2022, a share transfer agreement entered into between Ms. Sun and Mr. Yisheng Tang (“**Mr. Tang**”), pursuant to which Ms. Sun transferred 0.01% equity interest in Shenzhen Educational Group to Mr. Tang. An equity pledge agreement dated 18 November 2022 entered into by and among Shenzhen Educational Group, Ms. Liu, Mr. Tang and Shenzhen Beipeng Software, pursuant to which Ms. Liu and Mr. Tang pledged all of the equity interests in Shenzhen Educational Group to Shenzhen Beipeng Software to guarantee the performance of the obligations of Ms. Liu, Mr. Tang and Shenzhen Educational Group and its subsidiary entities under the exclusive management consultancy and business cooperation agreement (as described in item (xii));
- (xvii) on 18 November 2022, a change of entity of contract to the exclusive call option agreement entered into by and among our Company, Shenzhen Educational Group, Ms. Liu, Ms. Sun and Mr. Tang, pursuant to which from 18 November 2022, the unexercised rights and obligations of Ms. Sun were transferred to Mr. Tang in full;
- (xviii) on 18 November 2022, a change of entity of contract to the power of attorney entered into by and among Shenzhen Beipeng Software, Ms. Liu, Ms. Sun and Mr. Tang, pursuant to which from 18 November 2022, the unexercised rights and obligations of Ms. Sun under the power of attorney exercised by Shenzhen Beipeng Software, Ms. Liu and Ms. Sun were transferred to Mr. Tang in full (items (xvi) to (xviii) collectively referred to as the “**2022 Contractual Arrangements**”);
- (xix) on 10 April 2023, Dalian Educational Group, Founder’s Sister and Ms. Yanru Zhang (“**Ms. Zhang**”) entered into a capital increase and share expansion agreement agreeing that Ms. Zhang would subscribe for Dalian Educational Group’s newly added registered capital of RMB20,000. After this capital increase, Ms. Zhang holds 0.01% of the shares of Dalian Educational Group. Founder’s Sister holds 99.99% of the shares of Dalian Educational Group;
- (xx) a supplemental agreement dated 10 April 2023 to the exclusive management consultancy and business cooperation agreement dated 11 May 2014 (as described in item (i)) and entered into by and among Beipeng Software, Founder’s Sister, Ms. Zhang and Dalian Educational Group and its subsidiary entities, pursuant to which Ms. Zhang as a new shareholder of Dalian Educational Group became a party to the exclusive management consultancy and business cooperation agreement dated 11 May 2014 with all the rights and obligations of a party thereunder;
- (xxi) a supplemental agreement dated 10 April 2023 to the exclusive call option agreement dated 11 May 2014 (as described in item (iv)) and entered into by and among our Company, Dalian Educational Group, Founder’s Sister and Ms. Zhang, pursuant to which Ms. Zhang as a new shareholder of Dalian Educational Group became a party to the exclusive call option agreement dated 11 May 2014 with all the rights and obligations of a party thereunder;

- (xxii) a power of attorney dated 10 April 2023 executed by Ms. Zhang, appointing Beipeng Software, or nominee(s) of Beipeng Software, as her attorney-in-fact to exercise the shareholder's rights in Dalian Educational Group; and
- (xxiii) an equity pledge agreement dated 10 April 2023 and entered into by and among Dalian Educational Group, Ms. Zhang and Beipeng Software, pursuant to which Ms. Zhang pledged all of the equity interests in Dalian Educational Group to Beipeng Software to guarantee the performance of the obligations of Ms. Zhang and Dalian Educational Group and its subsidiary entities under the exclusive management consultancy and business cooperation agreement dated 11 May 2014 (as described in item (i)), the exclusive call option agreement dated 11 May 2014 (as described in item (iv)), the supplemental agreement dated 10 April 2023 to the exclusive management consultancy and business cooperation agreement (as described in item (xx)), the supplemental agreement dated 10 April 2023 to the exclusive call option agreement (as described in item (xxi)), and power of attorney dated 10 April 2023 (as described in item (xxii)) collectively referred to as the **"2023 Contractual Arrangements"**).

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC consolidated affiliated entities during the financial year ended 31 August 2023 and up to the date of this report. Save as disclosed in this report, there was no material change in the Contractual Arrangements under which they were adopted for the year ended 31 August 2023, except that Shenzhen Maple Leaf English Town Educational Technology Co., Ltd. has been added as subsidiary entities of Shenzhen Educational Group pursuant to the requirements of the management consultancy and business cooperation agreement in (xii) above, and Jingzhou Fengmao Technology Co., Ltd., Pinghu Fengsheng Technology Development Co., Ltd., Tianjin Eco-Valey Fengsheng Technology Development Co., Ltd., and Wuhan Fengsheng Technology Co., Ltd. have been added as subsidiary entities of Dalian Educational Group pursuant to the requirements of the management consultancy and business cooperation agreement in (i) above.

For the year ended 31 August 2023, none of the Contractual Arrangements has been terminated as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

For the year ended 31 August 2023, the Group has adopted various measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the Group's compliance with the Contractual Arrangements including the review of the overall performance of and compliance with the structured contracts under the Contractual Arrangements by the Board at least once a year.

We have been advised by our PRC legal advisor that the Contractual Arrangements do not violate the relevant PRC regulations as at 31 August 2023.

On 14 May 2021, the PRC State Council announced the Implementation Regulations, which came into effect on 1 September 2021. The restrictions in the Implementation Regulations on the prohibition of foreign participation in private schools that provide compulsory education and not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related party transactions. The restrictions are intended to ensure the legitimate rights and interests of not-for-profit schools, especially to protect the property rights and interests of not-for-profit schools and to avoid the improper transfer of proceeds from the operation of not-for-profit schools.

The Implementation Regulations stipulate that no social organisation or individual may control a private school that is an elementary school or middle school (learning stages) or not-for-profit preschools by means of mergers and acquisitions, contractual agreements and related party transactions, etc. As advised by our PRC legal advisor, PRC laws and regulations do not have retrospective effect, except for the special provisions developed for the better protection of the rights and interests of citizens, legal persons, and other organisations. According to our PRC legal advisor, the Implementation Regulations should be subject to further laws, regulations or rules (if any) by relevant local competent regulatory authorities or other organs of state power, rendering it retrospective. As a result, there are uncertainties concerning the validity and enforceability of the current Contractual Arrangements between the Group and the Affected Schools and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on 1 September 2021.

Revenue, profit before taxation and assets subject to the Contractual Arrangements

For the year ended 31 August 2023, the revenue and loss before taxation subject to the Contractual Arrangements are RMB271.6 million and RMB16.4 million, respectively. As at 31 August 2023, the total assets subject to the Contractual Arrangements are RMB1,046.0 million.

Listing Rules Implications

The 2014 Contractual Arrangements

As the Founder is our Controlling Shareholder and our chairman of the Board, he is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules. The Founder's Sister is the sister of the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(a) and 14A.07(4) of the Listing Rules. Dalian Educational Group is owned as to 99.99% by the Founder's Sister and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Dalian Youwen is 95.3% indirectly owned by the Founder's Sister via Dalian Educational Group, which she controls, and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Each of Wuhan Foreign School and Dalian Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules. Accordingly, the 2014 Contractual Arrangements constitute connected transactions of the Company under the Listing Rules.

The 2021 Contractual Arrangements, the 2022 Contractual Arrangements and 2023 Contractual Arrangements

Ms. Liu, Mr. Tang and Ms. Zhang are independent third parties. Shenzhen Education Group is owned as to 99.99% and 0.01% by Ms. Liu and Mr. Tang respectively, and Dalian Educational Group is owned as to 0.01% by Ms. Zhang. The 2021 Contractual Arrangements, the 2022 Contractual Arrangements and the 2023 Contractual Arrangements do not constitute notifiable or connected transactions of the Company under Chapters 14 and 14A of the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the 2014 Contractual Arrangements, including (i) the announcement and independent Shareholders' approval requirements, (ii) the requirement of setting an annual cap for the fees payable to Beipeng Software under the 2014 Contractual Arrangements and (iii) the requirement of limiting the term of the 2014 Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject however to the condition that the 2014 Contractual Arrangements subsist and that the consolidated affiliated entities will continue to be consolidated into our Group's financial results as if they were our Group's subsidiaries. If any terms of the 2014 Contractual Arrangements are altered or if the Group enters into any new agreements with any connected persons in the future, the Group must fully comply with the relevant requirements under the Listing Rules unless we obtain a separate waiver from the Stock Exchange.

Agreements with Beipeng Software

Pursuant to the exclusive management consultancy and business cooperation agreements entered into by and among (i) Beipeng Software, Dalian Educational Group and any of its subsidiaries and schools and the Founder's Sister on 11 May 2014 and (ii) Beipeng Software, Wuhan Foreign School, Dalian Foreign School and the Founder on 22 August 2014, each of which superseded all previous agreements among the parties with respect to subject matters thereof, Beipeng Software has the exclusive right to provide, or designate any third party to provide each of the Group's consolidated affiliated entities with intellectual property development and licensing services as well as comprehensive technical and educational consultancy services (the "Services"). Such Services include educational software and course materials, research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time.

For the year ended 31 August 2023, the Services provided by Beipeng Software to Dalian Educational Group and its subsidiaries, Wuhan Foreign School and Dalian Foreign School amounted to RMB21.5 million.

Agreements with Shenzhen Beipeng Software

Pursuant to the exclusive management consultancy and business cooperation agreement entered into by and among Shenzhen Beipeng Software and Shenzhen Educational Group and any of its subsidiaries and schools on 30 August 2022, Shenzhen Beipeng Software has the exclusive right to provide, or designate any third party to provide Services to each of the Group's consolidated affiliated entities. Such Services include educational software and course materials, research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time.

For the year ended 31 August 2023, no Services were provided by Shenzhen Beipeng Software to Shenzhen Educational Group and its subsidiaries and schools.

Confirmation from Independent Non-executive Directors

Our Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended 31 August 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the consolidated affiliated entities has been retained by Beipeng Software, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2023, (iii) in respect of the 2014 Contractual Arrangements, the 2021 Contractual Arrangements, the 2022 Contractual Arrangements and the 2023 Contractual Arrangements, no new contracts were entered into, renewed or reproduced during the year ended 31 August 2023, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditors

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2023:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board; and
2. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions;

In light of the deconsolidation of the Affected School on 31 August 2021, the Group is now assessing the Listing Rules' implications on the related party balances as disclosed in note 42 to the consolidated financial statements. Save as aforesaid, during the year ended 31 August 2023, no related party transactions disclosed in note 42 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

Updates in Relation to the Qualification Requirement

Our PRC legal advisor has advised us that there have not been changes in the relevant regulatory developments and guidance relating to the Qualification Requirement since the publication of the Prospectus and the amendment in 2019.

Efforts and Actions Undertaken to Comply with the Qualification Requirement

Up to the date of this report, apart from the steps taken as disclosed in the Prospectus and previous years' annual reports, the Group is still in the progress of working on different ways of obtaining the Qualification Requirement.

Impact of the Implementation Regulations on the Contractual Arrangements

As disclosed in the section headed "Update on the Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China" in Management Discussion and Analysis, based on the advice of our PRC legal advisor, there are uncertainties concerning the validity and enforceability of the current contractual arrangements between the Group and the Affected Schools and therefore it could not be concluded that they are legally binding and enforceable upon the Implementation Regulations becoming effective on 1 September 2021. By the end of 31 August 2021, it was no longer practicable for the Group to make relevant decision to obtain significant variable returns from the Affected Schools. Consequently, the Group lost control over the Affected Schools on 31 August 2021 and the Affected Schools were deconsolidated from the consolidated financial statements of the Company for the year ended 31 August 2021 and the operations of the Affected Schools were classified as discontinued operations as of 31 August 2021.

As at the date of this report, Xi'an School obtained a private school operating license as an Independent High School and it was re-consolidated with the Group as at 10 August 2022 (the "**Date of re-consolidation**"), and the financial results and the financial position of the School were re-consolidated since the Date of re-consolidation and as at the Date of re-consolidation, respectively. The Group will continue to monitor the implementation of the Implementation Regulations in different regions and continue to assess its subsequent impact on the Company and will make further announcement(s) as and when appropriate.

CONNECTED TRANSACTION

Acquisition of property

During the preparation of the interim report of the Company for the six months ended 28 February 2022, it has come to the attention of the Board that in November 2021, Dalian Youwen Science and Education Co., Ltd. (formerly known as Dalian Science and Education Co., Ltd.) ("**Dalian S&E**" or "**Dalian Youwen**") as purchaser entered into the acquisition arrangement in relation to the acquisition of a property ("**Property**") located in Dongguan City, Guangdong Province, the PRC, at the purchase price of RMB40,000,000 whereby (a) Mr. Jen has agreed to assign and Dalian S&E agreed to accept the assignment of all of Mr. Jen's rights, title and obligations in relation to the Property under a pre-sale contract previously made by Mr. Jen as purchaser and 東莞市益田奧城房地產投資有限公司 (Dongguan Yitian Aocheng Real Estate Investments Co., Ltd)*, the "**Developer**") as vendor in 2018; and (b) the entering into of the pre-sale contract (商品房買賣合同(預售)) ("**Pre-Sale Contract**") between Dalian S&E as purchaser and the Developer as vendor as a result thereof ("**Acquisition Arrangement**"). To support the long-term development of the Group, the management of the Group considered it necessary to provide accommodation to the foreign employees and/or the senior management in light of the relocation of the Company's headquarters to Shenzhen in March 2021.

* For identification purpose only

Mr. Jen, an executive Director, the chairman of the Board and a Controlling Shareholder, is a connected person of the Company under Chapter 14A of the Listing Rules. Dalian S&E is a company incorporated in the PRC and is controlled by the Group by way of a series of contractual arrangement and is accounted for as a wholly-owned subsidiary of the Company. The Acquisition Arrangement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and as the highest applicable percentage ratios in respect of the Acquisition Arrangement exceeds 0.1% but less than 5% and the terms of the Acquisition Arrangement were on normal commercial terms, the Acquisition Arrangement was subject to the reporting and announcement requirements but was exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) considered that the terms of the Pre-Sale Contract were fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the entering into the Pre-Sale Contract was in the interests of the Company and the Shareholders as a whole.

For further details, please refer to the announcement of the Company dated 6 July 2023.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2023.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents or other guardians. We did not have a single customer who accounted for more than 5% of our revenue for the two years ended 31 August 2023 and 2022.

For the year ended 31 August 2023, our five largest suppliers in aggregate accounted for approximately 3.6% (2022: 4.08%) of our cost of revenue and our largest supplier accounted for approximately 1.4% (2022: 1.20%) of our cost of revenue. None of our Directors, their respective close associates, or any Shareholder of the Company who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers.

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 31 August 2023, 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 for Securities Transactions by Directors of Listed Issuers (“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 as at 31 August 2023 (Note 1)	Long position/ Short position
Shu Liang Sherman Jen ("Mr. Jen")	Founder of a discretionary trust who can influence how the trustee exercises his discretion	1,483,639,818 (Note 2)	–	1,483,639,818	49.53%	Long position
	Beneficial interest	87,216,850	–	50,000,000 (Notes 2 and 3)	1.67%	Short position
	Interest of spouse	1,342	–	87,216,850	2.91%	Long position
				1,342	0.00%	Long position
			(Note 4)			
Jingxia Zhang	Beneficial interest	3,511,146	–	3,511,146	0.12%	Long position
James William Beeke	Interest of controlled corporation	884,000 (Note 6)	–	884,000	0.03%	Long position
	Beneficial interest	51,342	–	51,342	0.00%	Long position
Peter Humphrey Owen	Beneficial interest	121,342	60,000 (Note 5)	181,342	0.01%	Long position

Notes:

- The total number of 2,995,320,920 Shares in issue as at 31 August 2023 has been used for the calculation of the approximate percentage.
- 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 the long position in 1,483,639,818 Shares and the short position in 50,000,000 Shares held by Sherman Investment.

3. Pursuant to the Securities Lending Agreement dated 12 January 2021, Sherman Investment has provided securities lending to UBS AG, London Branch ("**Borrower**") with an aggregate of up to 330,000,000 Shares upon and subject to the terms and conditions stated in the Securities Lending Agreements. Sherman Investment shall deliver up to 50,000,000 Shares of the Company to the Borrower upon request.
4. 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.
5. These interests in underlying Shares represent the interests in outstanding options (being regarded as unlisted physically settled equity derivatives) 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.
6. 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.

Interest in shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of issued shares	Percentage of total issued shares of the associated corporation as at 31 August 2023	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 Int'l 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 31 August 2023, 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 31 August 2023, 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 as at 31 August 2023 (Note 1)	Long position/ Short position
Sherman Investment (Note 2)	Beneficial interest	1,203,639,818	40.18%	Long position
	Other	280,000,000	9.35%	Long position
		50,000,000 (Note 3)	1.67%	Short position
Sherman Int'l (Note 4)	Interest of controlled corporation	1,483,639,818 50,000,000	49.53% 1.67%	Long position Short position
HSBC International Trustee Limited ("HSBC Trustee") (Note 5)	Trustee	1,484,039,818	49.55%	Long position
Ms. Yan (Note 6)	Interest of spouse	1,570,858,010 50,000,000 (Note 3)	52.44% 1.67%	Long position Short position
	Beneficial interest	1,342	0.00%	Long position
UBS Group AG (Note 7)	Interest of controlled corporation	314,659,209	10.51%	Long position
		282,361,900 (Note 7)	9.43%	Short position

Notes:

- (1) The total number of 2,995,320,920 Shares of the Company in issue as at 31 August 2023 has been used for the calculation of the approximate percentage.
- (2) 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.

- (3) Pursuant to the Securities Lending Agreement dated 12 January 2021, Sherman Investment has provided securities lending to 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 Agreements. Sherman Investment shall deliver up to 50,000,000 Shares of the Company to the Borrower upon request.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) UBS AG, UBS Switzerland AG, UBS Europe SE, UBS Fund Management (Switzerland) AG, UBS Asset Management Switzerland AG and Credit Suisse Funds AG are the beneficial owners of 292,101,211, 3,605,998, 17,000,000, 234,000, 376,000 and 1,342,000 Shares respectively, and UBS AG and UBS Switzerland AG have a short position in 282,112,000 Shares and 249,900 Shares respectively, as at 31 August 2023. Such interests included (a) a long position in respect of 30,403,696 underlying Shares, which constituted listed physically settled derivatives; and (b) a long position in respect of 71,571,000 underlying Shares and a short position in respect of 2,112,000 underlying Shares, which constituted unlisted cash settled derivatives. Each of UBS AG, UBS Switzerland AG, UBS Europe SE, UBS Fund Management (Switzerland) AG, UBS Asset Management Switzerland AG and Credit Suisse Funds AG is wholly owned by UBS Group AG. UBS Group AG is deemed to be interested in all the Shares in which UBS AG, UBS Switzerland AG, UBS Europe SE, UBS Fund Management (Switzerland) AG, UBS Asset Management Switzerland AG and Credit Suisse Funds AG are interested by virtue of the SFO.

Save as disclosed above, as at 31 August 2023, 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.

REMUNERATION POLICY

Employees of the Group are selected, remunerated and promoted on the basis of their merits, qualifications, competence and contributions to the Group. Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has a provident fund set up for its employees and share incentive schemes as described below.

SHARE INCENTIVE SCHEMES

In order to incentivise our Directors, senior management, other employees and consultants for their contribution to the Group and to attract and retain suitable personnel to our Group, on 10 November 2014 we adopted the Post-IPO Share Option Scheme and the restricted share units scheme which was subsequently modified by the Board on 28 April 2015 and renamed as the Share Award Scheme. The Company has also adopted the employee share purchase plan on 12 October 2020. From 1 January 2023, the Company will rely on the transitional arrangements provided for the existing share incentive schemes and will comply with the new Chapter 17 of the Listing Rules accordingly (effective from 1 January 2023).

Details on the movement of the relevant scheme for the year ended 31 August 2023 is set out in note 36 to the financial statements.

1. Post-IPO Share Option Scheme

(a) Purpose of the Post-IPO Share Option Scheme

The Company adopted the Post-IPO Share Option Scheme on 10 November 2014 to enable our Group to grant options to selected participants as incentives or rewards for their contributions to our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

- (i) any Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of any member of our Group; and
- (ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the Listing Date, such 10% limit represents 266,800,000 Shares (the “**General Scheme Limit**”) but excluding any Shares which may be issued upon the exercise of the over-allotment option for the Listing. There was no service provider sublimit under the Post-IPO Share Option Scheme.

As at the date of this report, the Company had a total of 199,637,168 Shares available for issue under the Post-IPO Share Option Scheme (representing approximately 6.66% of the issued Shares as at the date of this report).

Subject to paragraph (a) above and without prejudice to paragraph (d) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option scheme of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under the Listing Rules.

Subject to paragraph (a) above and without prejudice to paragraph (c) herein, our Company may seek separate Shareholders’ approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (c) herein to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the “**Individual Limit**”). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders’ approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Grant of options to connected persons

Any grant of options under the Post-IPO Share Option Scheme to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by our Independent Non-executive Directors (excluding any Independent Non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial Shareholder of our Company or an Independent Non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet as at the date of the offer of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll.

Any change in the terms of options granted to a substantial Shareholder or an Independent Non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant within five business days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

(g) Subscription price for Shares

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Listing shall be used as the closing price for any business day falling within the period before Listing); and
- (iii) the nominal value of a share on the date of grant.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

(h) Restriction on the time of grant of options

No offer for grant of options shall be made after an inside information event has occurred or an inside information matter has been the subject of a decision until such inside information has been announced in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and (ii) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(i) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years from 10 November 2014. The remaining life of the scheme is approximately 11 months from the date of this report.

(j) Outstanding Share Options

The following table discloses movements in the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme as at 31 August 2023. No Option was granted or exercised under the Post-IPO Share Option Scheme during the financial year ended 31 August 2023. The number of options available for grant under the Post-IPO Share Option Scheme mandate at the beginning and the end of the reporting period are 194,956,368 and 199,637,168 respectively.

Grantees (Note 1)	Date of grant	Number of share options					Outstanding as at 31 August 2023	Exercise period/date	Exercise price (Note 2)	Vesting period/date
		Outstanding as at 1 September 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year				
Directors										
Jingxia Zhang	14 June 2018	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 2023-31 January 2023	HK\$7.22	1 January 2023
Peter Humphrey Owen	14 June 2018	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 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 2023-31 January 2023	HK\$7.22	1 January 2023
(retired on 28 February 2023)	28 June 2019	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		1,120,800	-	-	(60,000)	(1,000,800)	60,000			
Employees										
Eighth tranche	14 June 2018	3,620,000	-	-	(500,000)	(3,120,000)	-	1 January 2023-31 January 2023	HK\$7.22	1 January 2023
Total		4,740,800	-	-	(560,000)	(4,120,800)	60,000			

Notes:

1. The five highest paid individuals of the Group included two directors for the year ended 31 August 2023 and no share options granted to the two directors remained outstanding. The remaining three individuals were not granted any share options since the adoption of the Post-IPO Share Option Scheme and up to the date of this report.
2. The closing price of the Share immediately before the date on which the options were granted on 14 June 2018 and 28 June 2019 was HK\$7.28 (after the adjustment of share subdivision of the Company took place on 9 July 2018) and HK\$3.09 respectively.
3. The other principal terms of the Post-IPO Share Option Scheme are set out in the Prospectus.

2. Share Award Scheme

The Share Award Scheme was adopted by the Company on 10 November 2014 and modified by the Board on 28 April 2015.

(a) Purpose of the Share Award Scheme

The grant of share awards (the “**Awards**”) recognises the contribution of the Directors, executive officers, senior management, employees and consultants of the Company and of its subsidiaries and consolidated affiliated entities (collectively, “**Scheme Companies**” and each, a “**Scheme Company**”) to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies’ directors, executive officers, senior management and employees and may implement other share award schemes or other share-based remuneration schemes in the future.

(b) Awards

Each Award is a right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the Share Award Scheme. For each Award, the Eligible Participants (as defined below) may receive, subject to vesting, one Share.

Awards cannot be sold, pledged or transferred by the Eligible Participants by any means, except by inheritance.

(c) Grant of Awards

The Share Award Scheme provides for the grant of Awards by the Company to beneficiaries (the “**Beneficiaries**”) selected at the discretion of the Board from among the directors, executive officers, senior management, employees and consultants of the Scheme Companies (the “**Eligible Participants**”). Shares will not be released under the Awards until the applicable vesting conditions have been satisfied.

(d) Shares underlying the Awards

The Company will from time to time transfer the necessary funds and instruct the scheme trustee (“**Scheme Trustee**”) to acquire Shares through on-market transactions so as to satisfy Awards.

The Share Award Scheme Shares will be held on trust by the Scheme Trustee until their release to the Beneficiaries upon vesting of their Awards.

The grant of Awards by the Company to a connected person of the Company will be subject to the requirements of Chapter 14A of the Listing Rules.

(e) Restrictions on grants and Share purchases

No instruction may be given to the Scheme Trustee to acquire Shares and no Award may be granted when the Board is in possession of unpublished inside information in relation to the Scheme Companies or when dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

(f) Vesting of Awards

Vesting of Awards is subject to continued employment of the Beneficiaries with a Scheme Company over the vesting period as determined by the Board. Upon vesting, the Company will instruct the Scheme Trustee to release Share Award Scheme Shares to the Beneficiary on its behalf.

In the event of termination of the employment or corporate officer's mandate of a Beneficiary with a Scheme Company, his or her Awards will be forfeited: (i) in the case of employment contracts, such forfeiture shall take effect on the date of receipt of the dismissal letter or the submission of the resignation letter (as the case may be), notwithstanding any period of notice (regardless of whether it has been given or satisfied), or on the date of the termination of the employment agreement for other circumstances, and (ii) in the case of corporate officer's mandate, such forfeiture shall take effect on the date of the expiration of the term of the mandate, or on the date of the dismissal or notification of such dismissal.

In the case of retirement or early retirement of the Beneficiary, Awards are not forfeited. However, the Shares are not released until they vest on the grantee.

If a Beneficiary's employer ceases to be a Scheme Company during the vesting period, the continued employment condition will be deemed not to have been satisfied.

No consideration is paid or payable by the grantees for the Shares to be issued under the Share Award Scheme.

(g) Limit for each Beneficiary

Pursuant to a resolution passed at a meeting of the Board on 29 November 2016, the maximum number of Awards which may be granted to a Beneficiary but unvested under the Share Award Scheme was revised to not exceed 1% of the Shares in issue from time to time.

(h) The Share Award Scheme Period

The Share Award Scheme shall be valid and effective from 28 April 2015 and end on the earlier of (i) the business day immediately prior to the tenth anniversary of 28 April 2015 except in respect of any non-vested Awards granted prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Awards or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Beneficiary in respect of the Awards already granted.

(i) Outstanding Shares awarded

In July 2015, the Scheme Trustee purchased a total of 62,160,000 Shares on the Stock Exchange at a total consideration of approximately HK\$74.7 million (equivalent to approximately RMB59.0 million). During the year ended 31 August 2023, no share award was granted, vested, cancelled or lapsed under the Share Award Scheme. The number of share award available for grant under the scheme mandate as at 1 September 2022 and 31 August 2023 were 24,309,988 and Nil respectively. There was no service provider sublimit under the Share Award Scheme.

The Company did not expect to grant further Share awards under the Share Award Scheme prior to its expiry on 27 April 2025 and in order to reduce administrative cost of the Company, the Board has resolved to terminate the trust of the Share Award Scheme with effect from 17 October 2022. In accordance with the rules of the Share Award Scheme, the total of 24,309,988 Shares (representing approximately 0.81% of the issued Shares as at the date of this report) were resettled and transferred to the ESPP Trust established for Employee Share Purchase Plan on 3 November 2022.

3. Employee Share Purchase Plan (“ESPP”)

The Company’s ESPP was approved and adopted on 12 October 2020 which provides eligible employees with the opportunity to acquire proprietary interests in the Company and to encourage eligible employees to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole. Chinese employees in the PRC who have been employed by the Group for three years or more are eligible to participate in the ESPP. The ESPP is effective for a period of 5 years from the adoption date. The remaining life of the scheme is approximately 22 months from the date of this report. Each year employees may make contributions according to their respective ranks, and a trustee will be responsible for purchasing Shares on their behalf. Under the ESPP, eligible employees of the Group may elect to purchase the Company’s shares (“**Employee Contribution Share(s)**”) and, through the grant of matching restricted share units (“**RSUs**”), receive one matching share (“**Matching Share(s)**”) for every three shares purchased and held until the end of the vesting period. Each eligible employee’s participation level is capped at RMB2,000 or RMB1,000 per calendar month for senior and middle management and RMB1,000 or RMB500 per calendar month for general employees. No consideration is payable by participants on grant of Matching RSUs. The vesting period with respect to a Matching RSU is the period commencing on the first allocation date (i.e. the 1st day of each March and September) of the offering period in which such Matching RSU was granted to a participant, and ending on the third anniversary of such date. On the allocation date within an offering period, the trustee shall purchase, in one or more tranches, as many Shares as may be purchased by using all of the Employee Contributions made for the preceding six months and held under the trust on such date.

Upon vesting of the Matching RSUs (i.e. three years from the first share purchase date in a plan year), those employees who are still employed with the Group will receive one Matching Share for each RSU granted to him or her. The Matching Shares can either be provided to recipients through the issuance of new shares by the Company or be purchased on market by the trustee of the ESPP.

For the year ended 31 August 2023, no Matching Shares were granted under the ESPP, no Matching RSUs were granted and no Matching RSUs were vested. Since the adoption date of the ESPP, no new Shares were issued under the ESPP. As at 31 August 2023, nil Shares are available for issue under the ESPP. The number of Matching RSUs available for grant under the ESPP as of 1 September 2022 and 31 August 2023 was nil and nil, respectively.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended 31 August 2023 divided by the weighted average number of shares of the relevant class in issue for the year ended 31 August 2023 is 0.

Contingent Liabilities

As at 31 August 2023, the Group had no contingent liabilities.

Zhixin Case

Please refer to the section headed “Management Discussion and Analysis – Zhixin Case” in this report for further details of Zhixin Case.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

In accordance with the then prevailing terms and conditions of the Convertible Bonds, on 3 February 2023, the Company redeemed (on a pro rata basis) 40 per cent. of the aggregate principal amount of the Convertible Bonds then outstanding (being an amount of USD50,000,000), together with interest accrued but unpaid.

Save as disclosed above, during the year ended 31 August 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

LITIGATION

Save as disclosed in the section headed "Zhixin Case" in "Management Discussion and Analysis" and "Report of the Directors", the Group did not have any material litigation outstanding as at 31 August 2023.

CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

Save as disclosed in the other sections of this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGE IN DIRECTORS' INFORMATION

Please refer to the section headed "Change of Directors and change in composition of committees" in this report for details of the change of Directors during the reporting period.

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

EVENTS AFTER THE REPORTING PERIOD

Resumption of trading

Following the fulfilment of all the Resumption Guidance, the trading in the shares of the Company (Stock Code: 1317) and the debt securities of the Company (Debt Securities Stock Code: 40564) on the Stock Exchange resumed with effect from 9:00 a.m. on 2 November 2023.

For more details regarding the Relevant Matters, the Resumption Guidance, the Independent Investigation, the Investigation Report, the IC Review Report and the resumption progress, please refer to the announcements of the Company dated 27 April 2022, 16 May 2022, 23 May 2022, 30 May 2022, 14 June 2022, 2 August 2022, 1 November 2022, 1 February 2023, 28 April 2023, 4 July 2023, 1 August 2023 and 1 November 2023.

Update regarding relevant events in relation to the Convertible Bonds

As disclosed in the announcement of the Company dated 12 September 2023, the Meeting was convened and held on 11 September 2023. The Extraordinary Resolution as set out in the Notice of Meeting was duly passed at the Meeting by the requisite majority of Bondholders in accordance with the terms of the Trust Deed. The Proposed Waivers in relation to the Convertible Bonds became immediately effective upon the passing of the Extraordinary Resolution and the occurrence of the Fee Pay Effective Date (being 12 September 2023). The Second Amended and Restated Trust Deed giving effect to the Proposed Amendments were duly executed by each of the parties thereto. As a result, each present and future holder of the Convertible Bonds were bound by the terms of the Second Amended and Restated Trust Deed.

For further details of the updates in relation to the Convertible Bonds after the reporting period, please refer to the CB Announcements. The Company will make further announcement(s) in relation to the above matters as and when appropriate.

Save as disclosed in this report, the Group has no subsequent events after the reporting period and up to the date of this report which required disclosure.

NON-COMPETITION UNDERTAKING

In March 2008, each of the Founders, Ms. Mei Chen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others not to establish new entities or schools that are in competition with the entities or schools directly or indirectly controlled by us without our consent ("**Non-competition Undertaking**").

The Founders, Ms. Mei Chen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others have confirmed their compliance with the Non-competition Undertaking throughout the period from the Listing Date to 31 August 2023. The Independent Non-executive Directors have also reviewed the compliance with the Non-competition Undertaking and are satisfied that they have complied with the undertakings.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2023 and has met with the independent auditors, ZHONGHUI. 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.

AUDITORS

Deloitte Touche Tohmatsu (“**Deloitte**”) resigned as the auditor of the Company with effect from 25 March 2022 and SHINEWING (HK) CPA Limited (“**SHINEWING**”) was appointed as the auditor of the Company with effect from 8 April 2022 to fill the casual vacancy following the resignation of Deloitte. SHINEWING resigned as the auditor of the Company with effect from 15 July 2022 and ZHONGHUI has been appointed as the new auditor of the Company with effect from 25 July 2022 to fill the casual vacancy following the resignation of SHINEWING.

The consolidated financial statements for the year ended 31 August 2023 have been audited by ZHONGHUI. ZHONGHUI was re-appointed as the auditor of the Company pursuant to an ordinary resolution passed at the AGM and will hold office until conclusion of the next annual general meeting of the Company.

Save as disclosed above, there has been no other change in the auditor of the Company in any of the preceding three years.

On behalf of the Board

Shu Liang Sherman Jen

Chairman and Chief Executive Officer

Hong Kong, 29 November 2023

CORPORATE GOVERNANCE REPORT

The Board of China Maple Leaf Educational Systems Limited is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 August 2023.

PURPOSE, VALUES AND STRATEGY

Maple Leaf's Corporate Culture

Maple Leaf is driven by our passionate belief that education is the most important factor that enhances the life opportunities of children. All Maple Leaf Directors and employees work together in a visionary, entrepreneurial, problem-solving, results-oriented, accountable and professional manner to meet the challenges of implementing our purpose, values and beliefs. The Board and all Maple Leaf employees adhere to a strict code of ethics and principles that define business practices, professional relationships, decision-making, and individual roles and responsibilities. Maple Leaf values diversity in the workplace; and is driven by continuous improvement and ongoing professional development. We believe in operational transparency and proactive, open communications with our employees and stakeholders.

Maple Leaf's Purpose

Maple Leaf's purpose is to provide high-quality, academically-focused, educational programming that blends the best of eastern and western educational thinking so as to graduate students who will be successful in their studies in top universities around the world and become global leaders and contributing citizens.

Maple Leaf's Values and Beliefs

Maple Leaf believes that all children are able to succeed, and that education is the most important factor that enhances the life opportunities of children. Understanding the thinking of East and West, experiencing teachers from different cultures, and completing educational programs in different languages, prepares students well for the global world of tomorrow.

We believe in the importance of student engagement in learning, and in educating the whole child. We highly value moral and ethical behaviour in a diverse, respectful, safe and supporting educational and workplace environment. We value integrity, responsibility and accountability in one's actions and to act as role models for our community. We are all part of the Maple Leaf team and rely on each other for our success. We have a passion for education and set high expectations and goals for students.

Maple Leaf's Corporate Strategy

Our purpose, values and beliefs underlie everything that we do and find full expression in our corporate culture. We are driven by the pursuit of excellence and are accountable to the Maple Leaf community to uphold and model our values as we strive to achieve our purpose. We develop transparent policies and procedures to give effect to our beliefs and seek to continuously improve our governance model.

In addition to our focus on individual schools, we provide oversight at a systems level to provide policies, procedures, and assessment standards, as well as guidance and advice to our educational enterprise.

Maple Leaf encourages the Shareholders to engage actively with the Company and is committed to providing effective communication with the Shareholders and other stakeholders. Maple Leaf provides balanced and understandable information about the Company so as to enable the Shareholders to effectively exercise their rights.

CORPORATE GOVERNANCE REPORT

At Maple Leaf we have zero tolerance for any sort of fraud and ensure that all employees, (including Directors, supervisors, and middle and senior managers), establish a work style of integrity, diligence, dedication, honesty, fairness, impartiality, and ethical business practices. All our staff comply with relevant laws and regulations, professional ethics, and the internal management system.

We expect and encourage all our employees, as well as other parties whom we deal with, to report any concerns including actual or suspected misconduct, malpractice, impropriety, fraud or irregularity by any employee or other stakeholder. We provide reporting channels and guidance on reporting possible improprieties; and reassurance to persons reporting concerns of the protection against unfair disciplinary action or victimisation for any genuine reports made.

Maple Leaf values the independent views of Directors and to ensure that independent views are available to the Board, we appoint at least three independent non-executive directors, representing at least one-third of the Board.

Maple Leaf recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining our competitive advantage. We regularly assess the diversity profile of the Board and, where applicable, senior management, by considering a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, and skills, knowledge, industry, and regional experience.

CORPORATE GOVERNANCE CODE

The Board has 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. The corporate governance principles of the Company put an emphasis on an effective Board with a high level of integrity, comprehensive internal controls, and a high degree of transparency and accountability, which enhances corporate value for Shareholders and protects the long-term sustainability of the Group and thereby achieving sustainable business growth and generating values over the longer term and the strategy for delivering the Group's objective. The Board has played a proactive role in the development of effective and sustainable business strategy and in aligning the Group's culture with the Group's purpose, values and strategy.

During the year ended 31 August 2023 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 Listing Rules and has complied with all the applicable code provisions, save and except for code provision C.2.1.

Code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman and 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 of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2023.

The Company has maintained an effective system in monitoring the dealings by Directors (including a notification mechanism) to ensure compliance with the Model Code. In particular, the Company has notified all Directors the prohibition period before the commencement of such prohibition period. The Board is of the view that the guidelines and procedures for the director's dealings of shares in the Company are adequate and effective.

BOARD OF DIRECTORS

The Board currently comprises seven members, consisting of three Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

The composition of the Board as at the date of this report is as follows:

Executive Directors

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

Non-executive Director

Dr. Kem Hussain (*appointed with effect from 1 January 2023*)

Independent Non-executive Directors

Mr. Peter Humphrey Owen
Mr. Alan Shaver (*resigned with effect from 31 August 2023*)
Mr. Lap Tat Arthur Wong (*retired on 28 February 2023*)
Ms. Wai Fong Wong (*appointed with effect from 1 January 2023*)
Mr. King Pak Lau (*appointed with effect from 28 February 2023*)

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" in this report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman and chief executive should not be performed by the same individual.

The Board does not have a separate chairman and CEO. 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 our Group, which in turn enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

Board Meetings and Shareholders' Meetings Held

During the year ended 31 August 2023, the Board convened seven Board meetings and the Company convened an annual general meeting ("AGM"). A summary of the attendance record of the Directors is set out in the following table:

Name of Director	Board Meetings	AGM
Executive Directors		
Mr. Shu Liang Sherman Jen	7/7	1/1
Ms. Jingxia Zhang	6/7	1/1
Mr. James William Beeke	5/7	1/1
Non-executive Director		
Dr. Kem Hussain (<i>appointed with effect from 1 January 2023</i>)	3/3	1/1
Independent Non-executive Directors		
Mr. Peter Humphrey Owen	7/7	1/1
Mr. Alan Shaver (<i>resigned with effect from 31 August 2023</i>)	5/7	1/1
Mr. Lap Tat Arthur Wong (<i>retired on 28 February 2023</i>)	5/5	1/1
Ms. Wai Fong Wong (<i>appointed with effect from 1 January 2023</i>)	3/3	1/1
Mr. King Pak Lau (<i>appointed with effect from 28 February 2023</i>)	2/2	1/1

The Board will meet at least four times in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of Part 2 of the CG Code.

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year ended 31 August 2023.

Independent Non-executive Directors

The Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each Independent Non-executive Director a written annual confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers that all Independent Non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision B.2.2 of Part 2 of the CG Code states that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

All Directors including Independent Non-executive Directors have been appointed for a fixed term of not more than three years. Mr. Peter Humphrey Owen, Mr. Alan Shaver (resigned with effect from 31 August 2023), Mr. Lap Tat Arthur Wong (retired on 28 February 2023), Ms. Wai Fong Wong and Mr. King Pak Lau, the Independent Non-executive Directors, were appointed for a term of three years commencing on 1 September 2019, 31 August 2019, 1 September 2019, 1 January 2023 and 28 February 2023, respectively. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Articles of Association. The Articles of Association requires that at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experiences, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Group.

Every newly appointed Director will receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with code provision C.1.4 of Part 2 of the CG Code with regard to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2023, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/ conferences	Reading books/ journals/ articles
Mr. Shu Liang Sherman Jen	✓	✓
Ms. Jingxia Zhang	✓	✓
Mr. James William Beeke	✓	✓
Mr. Peter Humphrey Owen	✓	✓
Mr. Alan Shaver (<i>resigned with effect from 31 August 2023</i>)	✓	✓
Mr. Lap Tat Arthur Wong (<i>retired on 28 February 2023</i>)	✓	✓
Dr. Kem Hussain (<i>appointed with effect from 1 January 2023</i>)	✓	✓
Ms. Wai Fong Wong (<i>appointed with effect from 1 January 2023</i>)	✓	✓
Mr. King Pak Lau (<i>appointed with effect from 28 February 2023</i>)	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, to oversee particular aspects of the Company's affairs. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" in this report.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of our Group, to oversee the audit process and the relationship with external auditor, to review arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and to perform other duties and responsibilities as assigned by our Board.

As at 31 August 2023, the Audit Committee consisted of three members: Mr. King Pak Lau, Mr. Peter Humphrey Owen and Ms. Wai Fong Wong, all of whom are Independent Non-executive Directors. Mr. Lau was the chairman of the Audit Committee. Mr. Shaver ceased to be a member of Audit Committee with effect from 31 August 2023 upon his resignation as an Independent Non-executive Director on the same date. Ms. Wong was appointed as a member of Audit Committee with effect from 31 August 2023.

During the year ended 31 August 2023, the Audit Committee held four meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Lap Tat Arthur Wong (<i>retired on 28 February 2023</i>)	2/2
Mr. Peter Humphrey Owen	4/4
Mr. Alan Shaver (<i>resigned with effect from 31 August 2023</i>)	4/4
Mr. King Pak Lau (<i>appointed with effect from 28 February 2023</i>)	2/2
Ms. Wai Fong Wong (<i>appointed with effect from 31 August 2023</i>)	N/A

During the meetings, the Audit Committee met with external auditor and discussed the status of the outstanding financial reporting of the Company and met with internal audit department to discuss issues on annual internal audit for the year ended 31 August 2022 and the work plan for the year ended 31 August 2023.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the CG Code. The primary duties of the Remuneration Committee include but are not limited to, (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations to the Board on the remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and (iv) reviewing and approving the terms of incentive schemes and Directors' service contracts.

As at 31 August 2023, the Remuneration Committee consisted of three members: Mr. Peter Humphrey Owen, Mr. James William Beeke and Ms. Wai Fong Wong. Mr. Alan Shaver resigned with effect from 31 August 2023, and Ms. Wai Fong Wong was appointed as a member of Remuneration Committee with effect from 31 August 2023. Mr. Beeke was an Executive Director and Mr. Owen, Mr. Shaver and Ms. Wong were Independent Non-executive Directors. Mr. Owen was the chairman of the Remuneration Committee.

During the year ended 31 August 2023, the Remuneration Committee held one meeting. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Peter Humphrey Owen	1/1
Mr. James William Beeke	1/1
Mr. Alan Shaver (<i>resigned with effect from 31 August 2023</i>)	1/1
Ms. Wai Fong Wong (<i>appointed with effect from 31 August 2023</i>)	N/A

During the meeting, the Remuneration Committee reviewed the terms of reference of Remuneration Committee, the remuneration package of independent non-executive directors, its role in the consideration of senior management and other related matters of the Company. The Remuneration Committee also reviewed the annual performance of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2023, the total remuneration paid/payable to the senior management (including all Executive Directors) by band expressed in Hong Kong dollars is set out below:

Band	Number of senior management
HK\$1,500,000 to HK\$2,000,000	1
HK\$2,000,001 to HK\$2,500,000	1
HK\$2,500,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$3,500,000	1
HK\$4,000,001 to HK\$4,500,000	1

Nomination and Corporate Governance Committee

The Company has established a Nomination and Corporate Governance Committee (“**N&CGC**”) with written terms of reference in compliance with paragraphs B.3 and A.2 of the CG Code. The N&CGC has the following two main functions: (i) nomination function including reviewing the structure, size, composition and performance of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy, identifying individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors; and (ii) corporate governance function including developing and reviewing the Company’s corporate governance policies and practices and making recommendations to the Board, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors and reviewing the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

As at 31 August 2023, the N&CGC consisted of three members: Mr. Shu Liang Sherman Jen, Mr. Peter Humphrey Owen and Ms. Wai Fong Wong. Mr. Alan Shaver resigned with effect from 31 August 2023 and Ms. Wai Fong Wong was appointed with effect from 31 August 2023. Mr. Jen was an Executive Director and Mr. Owen, Mr. Shaver and Ms. Wong were Independent Non-executive Directors. Mr. Jen was the chairman of the N&CGC.

Director Nomination Policy

On 9 November 2018, the Company adopted a director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors. When assessing and selecting candidates of directors, the N&CGC and the Board will consider the character, integrity, qualifications, including professional qualifications, skills, knowledge and experience and diversity elements as described in the Board Diversity Policy of the candidates. For appointment of Independent Non-executive Directors, the Company will also consider the independence of the candidates in accordance with the Listing Rules and the commitment of sufficient time in order to discharge the duties as the member of the Board and the Board Committees.

For appointment of directors, the N&CGC should recommend to the Board to appoint suitable candidates for directorship. For person nominated by shareholders for election as a director at the general meeting of the Company, the N&CGC and/or the Board should assess such candidate based on the above selection criteria to determine the eligibility of such candidate to be appointed as a director, and thus make recommendation to the shareholders on the proposal of election of director at the general meeting.

For re-election of directors at the general meeting, the N&CGC and/or the Board should review the overall contribution and services made by the retired directors to the Company, and consider whether their level of engagement and performance in the Board meet the above standards, and make recommendation to the shareholders on the proposed re-election of directors at the general meeting.

During the year ended 31 August 2023, the N&CGC held no meeting. However, the N&CGC approved the nomination of Ms. Wai Fong Wong, Mr. King Pak Lau and Dr. Kem Hussain as new Directors by way of written resolutions. By way of written resolutions, the N&CGC also considered and recommended to the Board to establish comprehensive policies and procedures to ensure compliance of the Listing Rules and relevant regulatory requirements.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and strives to maintain a Board with diversity perspectives at all levels, in particular, those aligning with the Company's strategies and objectives. In determining the composition of the Board and the nomination of directors, the Company takes into consideration a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications and skills, knowledge and industries and regional experience. Measurable objectives are adopted for achieving diversity of the Board. As at the date of this report, the Board comprises seven Directors comprising two female Directors and five male Directors. Gender diversity in respect of the Board has been achieved to a certain extent, as opposed to a single-gender board. The Board would continue to take initiatives to identify suitable candidates so as to appoint at least one additional female Director on the Board in the next 5 years. For succession planning to maintain gender diversity on the Board, the Board will ensure, by upholding an open, fair and reasonable human resource policy with equal opportunities for talent attraction and promotion regardless of gender, that a diverse pipeline of candidates is available to take up leadership positions when any vacancy arises.

As at 31 August 2023, for the gender ratio in the workforce, 29.9% were male and 70.1% were female. Our approach for talent recruitment and retention is to employ a diverse team that works together collaboratively and encourage differences and individuality in employees with respect to equal opportunities, diversity and anti-discrimination. To enhance efficiency, we have not set a measurable objective for achieving gender diversity at the workforce level, the Company is determined to commit to adopting the meritocratic and diverse approach which provides equal consideration and opportunities to all qualified candidates regardless of gender in terms of hiring and promotion process. The Company will conduct regular assessment on the diversity perspective, measurable objectives and progress in achieving the objective of diversity.

The N&CGC is responsible for monitoring and reviewing the Board Diversity Policy annually. During the year ended 31 August 2023, the N&CGC reviewed the implementation and effectiveness of the Board Diversity Policy and the results were satisfactory and the N&CGC was satisfied with the diversity of the existing Board and did not recommend any change of the size of the Board.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2023.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 87 to page 90 in this report.

As disclosed in Note 2 to the consolidated financial statements in this report, as of 31 August 2023, the Group had net current liabilities of approximately RMB1,468,828,000. The Group's total secured bank borrowings and other borrowings and convertible bonds amounted to approximately RMB1,144,292,000 and RMB515,921,000, respectively as of 31 August 2023; while its cash and cash equivalents amounted to approximately RMB528,041,000 as of 31 August 2023.

Certain of the convertible bonds amounted to USD31,250,000 (equivalent to approximately RMB227,078,000) were agreed to be repaid in January 2024 (the "**Outstanding Bonds**"), while certain of secured bank borrowing amounted to USD143,000,000 (equivalent to RMB1,038,995,000) is repayable in July 2024 (the "**CIS Loan**"). The detailed information on the Group's convertible bonds and secured bank borrowings and other borrowings are illustrated in Notes 32 and 29 respectively to the consolidated financial statements.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, the Directors of the Company considered that even in the unlikely event that the CIS Loan will default in the future, it will not affect the continuity of the business of the Company as well as the Group's PRC segment, as there is no corporate guarantee nor any other means of shares pledged on the Company or the PRC segments on the CIS Loan. And even though the default of CIS Loan will trigger cross-default terms over the convertible bonds, the Directors of the Company believe that the Group can raise and possess sufficient cash and cash equivalents for the repayment of the convertible bonds in case the cross-default terms had been triggered.

In addition to the above, the Directors also have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including: (i) negotiating a new bank loan of SGD300,000,000 (equivalent to approximately RMB1,613,880,000) (the "**New Negotiating Loan**") to replace the CIS Loan and repay the convertible bonds; (ii) exercising the right to apply an extension of 12 months on the CIS Loan in accordance with the CIS Loan agreement which will be subjected to the approval from the lender of the CIS Loan; (iii) remitting and maintaining sufficient offshore fund to repay the convertible bonds from subsidiaries of the People's Republic of China (the "**PRC**"); (iv) in discussions with local government departments to comply with implementation regulations of the PRC for the law for promoting of private education (the "**Implementation Regulations**"); and (v) adjusting the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations.

The Directors of the Company consider that the Group can continue as a going concern based on the assumptions that (i) the Group can raise and possess sufficient cash and cash equivalents for the repayment of the convertible bonds; (ii) the above financing plan can be successfully completed; and (iii) no further rules and interpretation from the government will adversely affect the continuing operations.

Further discussion on the uncertainties of the Group's going concern has been set out in the sections headed "Independent Auditor's Report – Material uncertainty related to going concern" and "Notes to the Consolidated Financial Statements – 2. Going concern basis".

AUDITORS' REMUNERATION

The Company appointed ZHONGHUI as the external auditors for the year ended 31 August 2023. During the year ended 31 August 2023, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's external auditors are set out below:

Items of auditors' services	Amount RMB'000
Audit service:	
Annual audit service	3,220
Non-audit service:	
Tax advisory service	18
Review on continuing connected transactions	50
Total	3,288

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board highly values and has the overall responsibility for establishing and maintaining adequate and effective risk management and internal control systems of the Group to safeguard the Group's assets and stakeholders' interests, and reviewing their effectiveness annually. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Management has the responsibility to carry out the decisions of the Board of Directors in the design, implementation and monitoring of the risk management and internal control systems of the Group.

The Group's risk management and internal control systems include a management structure with defined lines of responsibility and limits of authority. These systems only aim to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations or loss, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The systems are designed to identify, evaluate and manage risks effectively rather than to eliminate the risk of failure to achieve business objectives.

CORPORATE GOVERNANCE REPORT

The Group has established a risk management framework in providing direction in identifying, evaluating and managing significant risks. Risks that would adversely affect the achievement of the Group's objectives are identified and assessed and prioritised according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks which are considered to be significant. The Company's internal audit function is performed by the internal audit department. During the year under review, the board conducted review to assess the effectiveness of the risk management and internal control systems through the reviews performed by the Audit Committee, executive management, internal audit department and external auditors. During the year ended 31 August 2023, the Audit Committee engaged external IC Consultant to review independently on the operations of the Group for the effectiveness of the Group's risk management and internal control systems, inter alia, the financial, operational and compliance control functions of the Group. The Company has considered and adopted recommendations by the IC consultant to improve its internal control systems and procedures (if necessary) as far as practicable in order to ensure that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

References are made to the section headed "Management Discussion and Analysis – Suspension of trading, Resumption Guidance and Resumption" in this report and the announcements of the Company dated 27 April 2022, 16 May 2022, 23 May 2022, 14 June 2022, 1 November 2022, 4 July 2023, 6 July 2023 and 1 November 2023 regarding the Relevant Matters, the Resumption Guidance, the Independent Investigation, the Investigation Report, the IC Review Report and the resumption of trading.

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

Relevant Matters	Key Deficiencies	Remedial Measures
Matter 1 – Management fee received from school canteens operated by third party service providers amounted to RMB32 million for the Period	No written policy has been established for the agreement management process and pricing procedures of canteen management fees. Deficiencies regarding the agreement approval process and management fee calculation process were noted.	The Company has established the Agreement Management Manual to regulate the contract management procedures, which includes the requirement to examine the contracting capacity of the counterparty, the contract drafting process, the contract approval process and the contract retention and filing management.

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

Relevant Matters	Key Deficiencies	Remedial Measures
		<ul style="list-style-type: none"> (2) The accountant of the catering company, based on the monthly turnover statement provided by the contractor, performs a step-by-step reconciliation of: <ul style="list-style-type: none"> i) Reconciliation of Charter Meal Scheme's turnover: through the OA process, the schools with Charter Meal Scheme declare the amount of charter meal fees for the previous month at the beginning of each month, and the Catering Accountant reconciles the charter meal fees reported by each school with the contractor's statement. ii) Check whether the monthly turnover of the canteen in the OneCard system is consistent with the contractor's statement through the OneCard system query. (3) After verification, the management fee will be accrued and a summary table will be prepared and signed by the preparer and the reviewer as one of the original attachments to the accounting voucher. If there is any error, it will be checked again with the canteen contractor until both parties confirm that it is correct. (4) The catering company's accountant sends monthly bills by email to each contractor, and the contractor pays the management fee to the catering company accordingly.

Relevant Matters	Key Deficiencies	Remedial Measures
Matter 2 – Royalty income from the Affected Schools for the Characteristics Intellectual Property Use Rights Amounted to RMB23 million for the Period	<p>There was no written approval record unanimously agreed by the Company's chairman or senior management before signing the "Copyright Transfer Contract" (《作品著作权轉讓合同》) with Tech Global Investment Ltd.</p> <p>There was no written approval record for the "Characteristic Intellectual Property Use Right Authorisation Contract" of 24 subsidiaries.</p> <p>Failure to accurately understand and respond to the latest policies issued by the government, i.e. the Implementation Regulation.</p>	<p>The Company has revised the Copyright Management Policy to clarify that the transfer of copyright is subject to the signing of the Copyright Transfer Contract. The specific matters are handled by the Intellectual Property Office, and the transfer must be approved by CFO.</p> <p>In addition, the Company has also established the "Approval Procedures for Intellectual Property Use Right Authorisation Contract of Maple Leaf Education Group", which includes requirement of the contract drafting for the authorization of Intellectual Property Use Right Authorisation Contract, the determination of fees, the signing of contracts and the contract execution.</p> <p>The Company has assigned the head of the Intellectual Property Office to monitor and identify government policies. If there are significant legal policy changes, arrangements will be made for specific matters, and external consultants will be hired to provide training and guidance to management and related personnel.</p> <p>The Company has conducted trainings on intellectual property and legal matters for the management of the different campuses, covering topics such as declaration and maintenance of intellectual property rights and legal issues related to the implementation of the Law on the Promotion of Private Education.</p>
Matter 3 – Acquisition of property at a consideration of RMB40 million during the Period	<p>No documentation for the approval of acquisition of property was maintained and it was not submitted to the independent board committee, which consists only of independent non-executive directors who do not have a material interest in the transaction, for discussion and approval. In addition, the Company did not seek opinion from an independent financial adviser prior to acquisition to ensure the acquisition being in the Company's interest.</p>	<p>The Company has updated the Related Party Transaction Management Policy to include the procedures of establishing and maintaining a list of related parties and related parties transactions as well as the contract approval process for the related parties transactions.</p> <p>The company will update a list of related parties and related transactions constantly, which will be regularly reviewed by the Director of the Internal Audit Centre on a half-yearly basis.</p>

Relevant Matters	Key Deficiencies	Remedial Measures
Matter 4 – Amounts due from/to the Affected Schools (related parties)	No documentation has been maintained in relation to the mutual agreement between the schools and subsidiaries as well as approval for these transactions.	<p>The Group has established the Corporate Governance Manual, which includes the definition of connected transactions, and it also specifies that the listed issuer’s group must enter into a written agreement for a connected transaction, and comply with the relevant announcement, independent shareholders’ approval, circular and annual reporting requirements. It is understood that the group did not have any new connected transactions during the follow-up review period, thus no relevant process documents can be provided.</p> <p>The Company has updated the Related Party Transaction Management Policy to include the procedures of establishing and maintaining a list of related parties and related parties transactions as well as the contract approval process for the related parties transactions. In the event of borrowings between the schools, borrowing agreements will be signed in a timely manner. In addition, documentation in relation to the mutual agreement between the schools and subsidiaries as well as approval records for borrowings, expenses paid on behalf and income receipt on behalf, etc., between the schools and subsidiaries will be maintained.</p>

The IC Review Report issued on 20 June 2023 concluded that the Group has implemented recommended remedial measures to rectify the deficiencies identified in the First Review. No material deficiencies in the Company’s internal controls and procedures were noted in the Follow-up Review.

Management confirmed that they have performed their duties to maintain effective risk management and internal control systems, and have ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial report functions, as well as those relating to the Company's ESG performances and reporting. The Board has received a confirmation from the management on the effectiveness of the Company's risk management and internal control systems. By taking into account all material controls, including financial, operational and compliance controls, the Board considered that the risk management and internal control systems are effective and adequate and is committed to improve the Group's risk management and internal control systems on an ongoing basis. The Board is satisfied that the Group has fully complied with the code provisions on risk management and internal controls as set out in the CG Code during the reporting period.

The Group discloses inside information to the public as soon as reasonably practicable in accordance with the requirements of the SFO and the Listing Rules unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

Ms. Jen was appointed as the company secretary of the Company and the Authorized Representative of the Company for the purpose of Rule 3.05 of the Listing Rules. Ms. Jen fulfills the requirement of Rule 3.28 of the Listing Rules and details of her professional qualifications are set out in the section headed "Directors and Senior Management" in this report.

Ms. Jen undertook no less than 15 hours of relevant professional training during the year ended 31 August 2023.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting (“EGM”) and Putting Forward Proposals at EGM

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists hold as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: No. 13, Baolong First Road, Baolong Street, Longgang District, Shenzhen, Guangdong Province 518116, China
Investor Relations Department

Email: ir@mapleleaf.net.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies. The Company endeavors to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, the chairmen of Audit Committee, Remuneration Committee and N&CGC, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

The Company has made changes to its Articles of Association during the year ended 31 August 2023. For details, please refer to the section headed “Other Information – Adoption of New Memorandum and Articles of Association”. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

OTHER RELATED MATTERS

The Company has adopted the following measures to align with the changes to the CG Code which took effect on 1 January 2022:

(1) Anti-fraud System (《楓葉教育集團反舞弊制度》) (“Anti-fraud System”)

The Board has updated the Anti-fraud System which outlines the goals and policies of the Group in prevention and crackdown of corruption behaviour. The Anti-fraud System sets out the basic standard of conduct which applies to all directors, officers and employees of the Group (collectively known as “**employees**”) and external parties doing business with the Company and those acting in an agency or fiduciary capacity on behalf of the Company (e.g. agents, consultants and contractors) (“**Other Stakeholders**”). It also provides guidance to all employees on acceptance of advantage and handling of conflict of interest when dealing with the Company’s business. The Company also encourages and expects Other Stakeholders to abide by the principles of the Anti-fraud System. Since May 2023, the updated Anti-fraud System has become effective.

(2) Whistleblowing policy (“Whistleblowing Policy”)

The Board has adopted the Whistleblowing Policy which sets out, among other matters, the reporting and investigation procedures for the employees of the Group and those who deal with the Company to raise concerns about possible improprieties in matters related to the Group. Since October 2022, the Whistleblowing Policy has become effective.

(3) Policy in relation to independent views available to the Board (“Independent View Policy”)

The Board has adopted the Independent View Policy which sets out the principles and guidelines for the Company to ensure independent view and input to be available to the Board, including but not limited to the requirements in relation to the Independent Non-executive Directors. Since October 2022, the Independent View Policy has become effective.

(4) Shareholders’ communication policy

The Board has updated the shareholders’ communication policy (“**Updated Shareholders Communication Policy**”) since October 2022. With the objective of ensuring that the Shareholders and potential investors are provided with timely access to information about the Company, the Company has established several channels to communicate with the Shareholders and solicit and understand the views of Shareholders.

The Company reviewed the implementation and effectiveness of the Updated Shareholders Communication Policy and considered the policy to be effective for the year ended 31 August 2023 after reviewing the Shareholder and investor communication activities conducted in the reporting period.

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the 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 92 to 166, which comprise the consolidated statement of financial position as at 31 August 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which mentions that as at 31 August 2023, the Group had net current liabilities of approximately RMB1,468,828,000. The Group’s total secured bank borrowings and other borrowings and convertible bonds amounted to approximately RMB1,144,292,000 and RMB515,921,000 respectively as of 31 August 2023; while its cash and cash equivalents amounted to approximately RMB528,041,000 as of 31 August 2023.

These conditions indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**TO THE SHAREHOLDERS OF
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED**

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Property, plant and equipment

Refer to Notes 16 and 18 to the consolidated financial statements

The Group tested the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of RMB2,233,548,000 as at 31 August 2023 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, terminal growth rates and discount rates); and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

Impairment assessment of goodwill and trademark

Refer to Notes 20, 21 and 22 to the consolidated financial statements

The Group tested the amount of goodwill and trademark for impairment. These impairment tests are significant to our audit because the balances of goodwill and trademark of RMB2,122,393,000 and RMB619,412,000 as at 31 August 2023 respectively are material to the consolidated financial statements. In addition, the Group's impairment tests involve application of judgement and are based on assumptions and estimates.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED

KEY AUDIT MATTERS (Continued)

Impairment assessment of goodwill and trademark (Continued)

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);
- Checking input data to supporting evidence;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence; and
- Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment tests for goodwill and trademark are supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**TO THE SHAREHOLDERS OF
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED**

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Wan Ho Yuen

Audit Engagement Director
Practising Certificate Number P04309

Hong Kong, 29 November 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	1,151,162	989,795
Cost of revenue		(647,880)	(563,542)
Gross profit		503,282	426,253
Investment and other income	8	22,625	140,242
Other gains and losses	9	65,630	23,856
Impairment losses under expected credit loss model, net of reversal		(1,037)	364
Marketing expenses		(14,215)	(13,963)
Administrative expenses		(303,107)	(286,422)
Finance costs	10	(220,711)	(206,190)
PROFIT BEFORE TAXATION		52,467	84,140
Taxation	11	(47,347)	(27,015)
PROFIT FOR THE YEAR	12	5,120	57,125
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		33,630	3,330
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		38,750	60,455
Profit for the year attributable to:			
Owners of the Company		5,120	57,125
Non-controlling interests		–	–
		5,120	57,125
Total comprehensive income for the year attributable to:			
Owners of the Company		38,750	60,455
Non-controlling interests		–	–
		38,750	60,455
Earnings per share	15		
– basic (RMB cents)		0.17	1.92
– diluted (RMB cents)		0.17	1.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,233,548	2,285,196
Right-of-use assets	17	96,022	80,992
Investment properties	19	143,391	17,748
Goodwill	20	2,122,393	1,949,551
Other intangible assets	21	792,433	803,961
Prepayments for acquisition of property and equipment		1,042	1,780
Books for lease		521	652
Deferred tax assets	31	16,192	20,704
		5,405,542	5,160,584
CURRENT ASSETS			
Inventories		11,950	13,968
Deposits, prepayments, trade and other receivables	23	79,783	99,546
Financial assets at fair value through profit or loss	24	7,266	31,705
Bank balances and cash	25	528,041	805,876
Amount due from related parties	42	182,305	245,103
		809,345	1,196,198
CURRENT LIABILITIES			
Contract liabilities	26	513,559	501,550
Other payables and accrued expenses	27	243,786	412,627
Lease liabilities	28	5,596	9,352
Income tax payable		68,687	82,405
Borrowings	29	1,084,279	691,592
Consideration payable	30	–	219,591
Convertible bonds	32	227,078	506,131
Amount due to related parties	42	135,188	40,223
		2,278,173	2,463,471
NET CURRENT LIABILITIES		(1,468,828)	(1,267,273)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,936,714	3,893,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	31	247,667	242,738
Borrowings	29	60,013	71,544
Lease liabilities	28	21,816	8,701
Convertible bonds	32	288,843	272,532
Amount due to related parties	42	1,820,859	1,840,983
		2,439,198	2,436,498
NET ASSETS			
		1,497,516	1,456,813
EQUITY			
Share capital	33	9,309	9,309
Reserves		1,488,207	1,447,504
Equity attributable to owners of the Company			
Non-controlling interests		–	–
TOTAL EQUITY			
		1,497,516	1,456,813

The consolidated financial statements on pages 92 to 166 were approved and authorised for issue by the Board of Directors on 29 November 2023 and are signed on its behalf by:

Shu Liang Sherman Jen
Director

Jingxia Zhang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 August 2023

	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	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 September 2021	9,309	1,013,030	10,742	(22,280)	(15,737)	184,477	53,945	155,371	1,388,857	-	1,388,857
Profit for the year	-	-	-	-	-	-	-	57,125	57,125	-	57,125
Other comprehensive income for the year	-	-	-	-	3,330	-	-	-	3,330	-	3,330
Total comprehensive income for the year	-	-	-	-	3,330	-	-	57,125	60,455	-	60,455
Share-based payments	-	-	-	-	-	-	7,501	-	7,501	-	7,501
At 31 August 2022 and 1 September 2022	9,309	1,013,030	10,742	(22,280)	(12,407)	184,477	61,446	212,496	1,456,813	-	1,456,813
Profit for the year	-	-	-	-	-	-	-	5,120	5,120	-	5,120
Other comprehensive income for the year	-	-	-	-	33,630	-	-	-	33,630	-	33,630
Total comprehensive income for the year	-	-	-	-	33,630	-	-	5,120	38,750	-	38,750
Share-based payments	-	-	-	-	-	-	1,953	-	1,953	-	1,953
At 31 August 2023	9,309	1,013,030	10,742	(22,280)	21,223	184,477	63,399	217,616	1,497,516	-	1,497,516

Notes:

- a. Shares held for the 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 (the "**Directors**") 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) the general reserve of the limited liability companies and (ii) the development fund of schools:
 - (i) In accordance with relevant PRC regulations, for PRC subsidiaries with limited liability, it is required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits as determined in accordance with PRC accounting standards for each calendar year 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 the procurement or the upgrading of educational equipment.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2023

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	52,467	84,140
Adjustments for:		
Amortisation of books for lease	140	260
Amortisation of intangible assets	75,874	85,474
Compensation of Zhixin Case	–	99,205
Depreciation of investment properties	905	2,265
Depreciation of property, plant and equipment	107,405	84,432
Depreciation of right-of-use assets	14,579	18,819
Dividend income from financial assets at fair value through profit or loss	(605)	(578)
Gain arising from fair value changes of contingent consideration	–	(24,139)
Loss/(gain) arising from fair value changes of convertible bonds	55,828	(26,352)
Gain on bargain purchase of a subsidiary	–	(73,029)
Gain on disposal of an investment property	–	(74,674)
Gain on early termination of lease contract	(2,565)	(1,696)
Gain on disposal of property, plant and equipment	(7,332)	(16,232)
Interest expenses	220,711	206,190
Interest income	(7,610)	(33,018)
Loss on fair value changes of financial assets at fair value through profit or loss	961	915
Loss on deregistration of subsidiaries	–	4,125
Net foreign exchange gain	(105,373)	(23,818)
Share-based payments	1,953	7,501
Operating profit before working capital changes	407,338	319,790
Change in inventories	2,018	2,928
Change in deposits, prepayments, trade and other receivables	19,763	(12,318)
Change in amount due to/from related parties	56,800	106,246
Change in contract liabilities	12,009	45,419
Change in other payables and accrued expenses	(189,322)	85,293
Cash generated from operations	308,606	547,358
Income tax paid	(68,042)	(72,228)
Interest received	7,610	33,018
Net cash generated from operating activities	248,174	508,148

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2023

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from financial assets at fair value through profit or loss	605	578
Net cash inflow from acquisition of a subsidiary	–	24,336
Proceeds from disposal of investment property	–	389,060
Proceeds from disposal of property, plant and equipment	18,818	20,875
Repayment of consideration payable	(219,591)	–
Purchase of books for lease	–	(468)
Sale/(purchase) of financial assets at fair value through profit or loss	23,918	(23,873)
Purchase of property, plant and equipment	(119,124)	(351,832)
Withdrawal of restricted cash	–	1,548,151
Net cash (used in)/generated from investing activities	(295,374)	1,606,827
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new borrowing	1,038,763	–
Repayment of convertible bonds	(351,080)	–
Repayment of borrowings	(758,090)	(1,891,544)
Interest paid	(131,324)	(152,548)
Repayment of lease liabilities	(12,684)	(9,542)
Net cash used in financing activities	(214,415)	(2,053,634)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(261,615)	61,341
Effect of foreign exchange	(16,220)	5,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	805,876	739,477
CASH AND CASH EQUIVALENTS AT END OF YEAR	528,041	805,876
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	528,041	805,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

1. GENERAL INFORMATION

China Maple Leaf Educational Systems Limited (the “**Company**” together with its subsidiaries collectively referred to as the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on 5 June 2007. Its shares are listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands (“**BVI**”), and its ultimate controlling party is Mr. Shu Liang Sherman Jen, who is also the Chairman of the board and Chief Executive Officer of the Company. The address of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, the Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is No.13, Baolong First Road, Baolong Street, Longgang District, Shenzhen, Guangdong Province 518116, the People’s Republic of China (“**PRC**”).

The Group operates a network of bilingual private schools and preschools in the PRC under the “Maple Leaf” brand and in the Southeast Asia under the brand “Canadian International School” and “Kingsley International School”, focusing on high schools that offer World School Program and bilingual education mainly within the PRC and Southeast Asia.

The consolidated financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

2. GOING CONCERN BASIS

As of 31 August 2023, the Group had net current liabilities of approximately RMB1,468,828,000. The Group’s total secured bank borrowings and other borrowings and convertible bonds amounted to approximately RMB1,144,292,000 and RMB515,921,000, respectively as of 31 August 2023; while its cash and cash equivalents amounted to approximately RMB528,041,000 as of 31 August 2023.

Certain of the convertible bonds amounted to USD31,250,000 (equivalent to approximately RMB227,078,000) were agreed to be repaid in January 2024 (the “**Outstanding Bonds**”), while certain of secured bank borrowing amounted to USD143,000,000 (equivalent to RMB1,038,995,000) is repayable in July 2024 (the “**CIS Loan**”). The detailed information on the Group’s convertible bonds and secured bank borrowings and other borrowings are illustrated in Notes 32 and 29 respectively to the consolidated financial statements.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group’s ability to continue as a going concern. In view of such circumstances, the Directors of the Company considered that even in the unlikely event that the CIS Loan will default in the future, it will not affect the continuity of the business of the Company as well as the Group’s PRC segment, as there is no corporate guarantee nor any other means of shares pledged on the Company or the PRC segments on the CIS Loan. And even though the default of CIS Loan will trigger cross-default terms over the convertible bonds, the Directors of the Company believe that the Group can raise and possess sufficient cash and cash equivalents for the repayment of the convertible bonds in case the cross-default terms had been triggered.

2. GOING CONCERN BASIS (Continued)

In addition to the above, the Directors also have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including: (i) negotiating a new bank loan of SGD300,000,000 (equivalent to approximately RMB1,613,880,000) (the "**New Negotiating Loan**") to replace the CIS Loan and repay the convertible bonds; (ii) exercising the right to apply an extension of 12 months on the CIS Loan in accordance with the CIS Loan agreement which will be subjected to the approval from the lender of the CIS Loan; (iii) remitting and maintaining sufficient offshore fund to repay the convertible bonds from subsidiaries of the People's Republic of China (the "**PRC**"); (iv) in discussions with local government departments to comply with implementation regulations of the PRC for the law for promoting of private education (the "**Implementation Regulations**"); and (v) adjusting the strategy to focus on development of high schools and overseas schools which are not affected by the Implementation Regulations.

The Directors of the Company consider that the Group can continue as a going concern based on the assumptions that (i) the Group can raise and possess sufficient cash and cash equivalents for the repayment of the convertible bonds; (ii) the above financing plan can be successfully completed; and (iii) no further rules and interpretation from the government will adversely affect the continuing operations.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") that are relevant to its operations and effective for its accounting year beginning on 1 September 2022. IFRSs comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

3.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Contractual arrangements

Due to Regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Dalian Maple Leaf Educational Group Co., Ltd (“**Dalian Educational Group**”), Shenzhen Maple Leaf Educational Group Co., Ltd (“**Shenzhen Educational Group**”), Dalian Maple Leaf Foreign National School (“**Dalian Foreign School**”) and Wuhan Maple Leaf Foreign National School (“**Wuhan Foreign School**”) (collectively referred to as “**Consolidated Affiliated Entities**”) in the PRC. The wholly-owned subsidiaries, Dalian Beipeng Educational Software Development Inc. (“**Dalian Beipeng Software**”), Shenzhen Beipeng Educational Software Development Inc. (“**Shenzhen Beipeng Software**”) (collectively referred to as “**Beipeng Software**”), have entered into the contractual arrangements (the “**Contractual Arrangements**”) with the Consolidated Affiliated Entities and their respective equity holders, which enable Beipeng Software and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Beipeng Software;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Beipeng Software may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Beipeng Software; and obtain a pledge over the entire equity interest of Dalian Educational Group and Shenzhen Educational Group from their equity holders as collateral security for all of Dalian Educational Group and Shenzhen Educational Group’s payments due to Beipeng Software and to secure performance of Dalian Educational Group, Shenzhen Educational Group and their respective subsidiaries obligations under the Contractual Arrangements.

There are no pledge agreements for Dalian Foreign School and Wuhan Foreign School due to the PRC law restriction. To further enhance the Company’s security over Dalian Foreign School and Wuhan Foreign School, the Company segregated the duties of different people and functions to ensure that the company seals of Dalian Foreign School and Wuhan Foreign School are properly secured, are within the full control of the Company and cannot be used without its permission.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities and income and expenses of the Consolidated Affiliated Entities (other than the Affected Schools, see below) in the consolidated financial statements of the Group.

3.1 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recently issued implementation regulations of the PRC for the law for promoting of private education (the “Implementation Regulations”)

During the year ended 31 August 2021, the PRC State Council announced the issuance of the Implementation Regulations, which became effective on 1 September 2021. The key provisions of the Implementation Regulations include, but not limited to: (1) prohibiting foreign investors from controlling private schools that provides compulsory education (which includes the six years primary school education and the three years middle school education provided to PRC residents) and not-for-profit schools that provides pre-school education (the “Affected Schools”) by means of merger, acquisition and contractual arrangements, and (2) prohibiting private schools providing compulsory education from conducting transactions with the related parties. Therefore, the Contractual Arrangements with the Affected Schools is considered not enforceable upon the effective of the Implementation Regulations. Based on its reassessment of the Contractual Arrangements and the profound implication of the Implementation Regulations, the Directors considered that, the Group’s ability to use its power from the Contractual Arrangements to direct the relevant activities of and its ability to affect its variable returns from the Affected Schools had ceased by 31 August 2021 immediately before the Implementation Regulations became effective. By the end of 31 August 2021, it was no longer practicable for the Group to make relevant decision to obtain significant variable returns from the Affected Schools. Consequently, the Group lost control over the Affected Schools on 31 August 2021 immediately before the Implementation Regulations became effective, and deconsolidated the Affected Schools as at 31 August 2021.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs, and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial instruments which are carried at their fair values/fair values less costs to sell.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (including the Consolidated Affiliated Entities) made up to 31 August. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity’s returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition are recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiaries were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and goodwill (Continued)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	1.9% to 4.0%
Leasehold improvements	The shorter of useful life or lease term
Motor vehicles	19.0% to 20.0%
Furniture and fixtures	11.9% to 48.0%
Computer equipment	19.0% to 20.0%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight-line method to allocate the cost to the residual value over its estimated useful life.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases

The Group as a lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Leasehold lands	Over the term of leases
Leased properties	Over the term of leases
Favorable lease	Over the term of leases

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below USD\$5,000.

The Group as a lessor

(i) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

(g) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Books for lease

Books for lease are stated in the consolidated statement of financial position at cost less subsequent accumulated amortisation and subsequent accumulated impairment losses, if any. Amortisation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the books' economic life.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost; and
- Investments at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(l) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Convertible bonds

Convertible loans which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and derivative components. At the date of issue, the fair values of the derivative components are determined using an option pricing model. The remainder of the proceeds are allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

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

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

(t) Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

(u) Employee benefits

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as expenses when employees have rendered services entitling them to the contributions.

(ii) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employee rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leaves and sick leave) after deducting any amount already paid.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on the assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For equity-settled share-based payments that vest immediately at the date of grant, the fair value of the equity-settled share-based payments granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When restricted shares are vested, the amount previously recognised in share based payment reserve will be transferred to shares held for restricted share award scheme, with any difference recognised to retained profits.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets are deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

Such grants are presented under “other income”.

(y) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(z) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ac) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ad) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the certain measures to improve the Group's liquidity and financial position. Details are explained in Note 2 to the consolidated financial statements.

(b) Legal titles of certain buildings

As stated in Note 16 to the consolidated financial statements, the titles of certain buildings have not been transferred to the Group as at 31 August 2023. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those buildings as property, plant and equipment on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those buildings.

(c) Contractual arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to Regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities other than the Affected Schools (Note 3.1) as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of the Consolidated Affiliated Entities in the consolidated financial statements other than the Affected Schools (Note 3.1).

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities other than the Affected Schools and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities other than the Affected Schools. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beipeng Software, the Consolidated Affiliated Entities other than the Affected Schools and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

With regard to the Affected Schools (Note 3.1), the Directors reassessed whether the Group could control the Affected Schools upon the effective of the Implementation Regulations based on analysis and judgement as (1) the Group's power over the Affected Schools; (2) the Group's exposure or rights to variable returns from its involvement with the Affected Schools; and (3) the Group's ability to use its power over the Affected Schools to affect the amount of the Group's returns. In making such judgement, the Directors has considered the requirements of the Implementation Regulations and legal opinion from its legal advisor. Based on the legal opinion, whether general grandfather rule could apply to the Contractual Arrangements established prior to the effective of the Implementation Regulations was not specially addressed in the Implementation Regulation which may subject to further interpretation of relevant government authorities, as such, the legal advisor could not conclude that the current Contractual Arrangement between the Group and the Affected Schools are legally binding and legally enforceable upon the effective of the Implementation Regulations. Consequently, the Directors consider that by the end of 31 August 2021, it was no longer practicable for the Group to make and enforce relevant decision for its own benefit as principal in accordance with the Contractual Arrangement to direct the relevant activities to affect and obtain the variable return from the Affected Schools and the Group lost control over the Affected Schools on 31 August 2021 immediately before the Implementation Regulations became effective, and deconsolidated the Affected Schools as of 31 August 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group's management has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group's management estimates the recoverable amount of the cash generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 August 2023, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were RMB2,233,548,000 and RMB96,022,000 (2022: RMB2,285,196,000 and RMB80,992,000) respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in Note 18.

(b) Goodwill and trademark impairment

Determining whether goodwill and trademark is impaired requires an estimation of the value in use of the cash-generating unit ("CGU") to which goodwill and trademark has been allocated. Significant judgment and assumptions were required by the management of the Group in assessing the impairment recoverable amounts of cash generating units. The recoverable amounts are determined with reference to the value-in-use of the relevant cash generating units, which required significant assumptions on discount rates, growth rates of students and tuition fee during the forecasting period in order to derive the net present value of the discounted future cash flow analysis. Where the actual future cash are less than expected, or change in facts and circumstances which results in downward revision of future cash flow or upward revision of discount rate, there will be a change of recoverable amount, and further impairment loss may arise. Furthermore, the estimated cash flows and discount rates are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets.

The carrying amount of goodwill and trademark at the end of the reporting period was approximately RMB2,122,393,000 and RMB619,412,000 (2022: RMB1,949,551,000 and RMB571,378,000). Details of the impairment loss assessment are set out in Note 22.

(c) Fair value measurement of convertible bonds

As at 31 August 2023, the Group's convertible bonds amounting to RMB515,921,000 (2022: RMB778,663,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the implication of the Implementation Regulations may cause disruptions to the Group's businesses, which have led to higher degree of estimation uncertainties and volatility of inputs used in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Notes 32 and 38(c) for further disclosures.

6. REVENUE

Revenue represents (i) service income from tuition fees and boarding fees, (ii) fees from summer and winter camps provided to students, (iii) fees from selling educational books to students, (iv) fees from sales of goods and educational materials to students, (v) catering services income, and (vi) other fees and income.

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

Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Tuition and boarding fees	884,456	776,541
Sales of textbooks	21,598	19,428
Sales of goods and materials	40,664	49,590
Summer and winter camps	23,296	2,662
Catering services income	50,567	51,358
Others	130,581	90,216
	1,151,162	989,795
Timing of revenue recognition		
Over time	978,634	860,542
At a point in time	172,528	129,253
	1,151,162	989,795

Performance obligations for contracts with customers

Tuition and boarding fees (revenue recognised over time)

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

The Directors have determined that the performance obligation of other education related services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period.

Revenue from summer and winter camps (revenue recognised over time)

Other education related services include summer and winter camps and educational vacation activities provided to students for a fixed fee. These services are mainly paid in advance prior to the service is provided. The service period for other education related services is the duration of the summer and winter camps or educational vacation activities. A contract liability is recognised for fee received whereas revenue has yet been recognised.

The Directors have determined that the performance obligation of other education related services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

6. REVENUE (Continued)

Performance obligations for contracts with customers (Continued)

Sales of textbooks (revenue recognised at a point in time)

The Group sells textbooks and other educational materials to students which are purchased from third parties. The Group recognises revenue from sales of textbooks and educational materials at a point in time when the control of textbooks and educational materials are passed to students. The Group considers that it is acting as the principal in the transaction as the Group controls the specific goods before it is transferred to the customer after taking into considerations indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods to its customers and has the inventory risk. Therefore, the Group recognises revenue from sales of textbooks and educational materials on a gross basis.

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

The Group sells goods and materials at the supermarkets and stationery stores, as well as the clothing to the students which are purchased from third parties. The Group recognises revenue from sales of goods and materials at a point in time when the control of goods, materials and clothing are passed to students. The Group considers that it is acting as the principal in the transaction as the Group controls the specific goods before it is transferred to the customer after taking into considerations indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods to its customers and has the inventory risk. Therefore, the Group recognises revenue from sales of goods and materials on a gross basis.

Revenue from catering services income (revenue recognised over time)

The Group provides catering services directly to canteens of the schools. These services are charged at certain rates on the gross income of the school canteens.

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

Others (including revenue recognised overtime and at a point in time)

Others represent revenue from management fees received from school canteens operated by third party service providers, fees from overseas studies consulting service, admission application and confirmation fees, student enrichment programme fees and sales of goods and educational materials, which individually are not material. For management fees and student enrichment programme fees received, the Group recognises revenue over time through the duration of the service period; and for fees from overseas studies consulting service, sales of goods and other educational materials and admission application and confirmation fees, the Group recognises revenue at a point in time when the control of the goods and services are passed to students.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 August 2023 is expected to be recognised within one year amounted to RMB513,559,000 (2022: RMB501,550,000). As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts are not disclosed.

7. 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 a significant portion of revenue and profits. Starting from that period, discrete segment information is developed and reported to the CODM. Specifically, the Group's reportable segments under IFRS 8 are as follows:

- (i) PRC Segment
- (ii) Overseas Segment

The Group is mainly engaged in international school education in the PRC and Southeast Asia. The CODM reviews revenue analysis by services lines when making decisions about allocating resources and assessing performance of the Group.

Segment revenues and results

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

For the year ended 31 August 2023

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
Revenue from external customers	465,580	685,582	1,151,162
Segment profit/(loss)	90,545	(6,072)	84,473
Unallocated items:			
Directors' and chief executive's emoluments			(7,544)
Corporate administrative expense			(24,462)
Group's profit before income tax			52,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

7. OPERATING SEGMENTS (Continued) Segment revenues and results (Continued)

For the year ended 31 August 2022

	PRC Segment RMB'000	Overseas Segment RMB'000	Total RMB'000
Revenue from external customers	431,140	558,655	989,795
Segment profit	21,832	97,048	118,880
Unallocated items:			
Directors' and chief executives' emoluments			(7,261)
Corporate administrative expense			(27,479)
Group's profit before income tax			84,140

The accounting policies of the operating segments are the same as the Group's accounting policies in Note 4. Segment loss/profit represents the loss from/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.

Segment assets and liabilities

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

	2023 RMB'000	2022 RMB'000
Segment assets		
PRC Segment	1,769,691	2,177,186
Overseas Segment	4,445,196	4,179,596
Consolidated assets	6,214,887	6,356,782
Segment liabilities		
PRC Segment	2,930,545	3,238,569
Overseas Segment	1,786,826	1,661,400
Consolidated liabilities	4,717,371	4,899,969

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.

7. OPERATING SEGMENTS (Continued)

Major customers

No single customer contributed 10% or more of total revenue of the Group for the years ended 31 August 2023 and 2022.

Geographical information

The Group primarily operates in the PRC and Southeast Asia. Information about the Group's revenue from external customers and non-current assets are presented based on the location of the assets.

	Revenue from external customers		Non-current assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
PRC	465,580	431,140	1,139,211	1,154,936
Singapore	625,970	517,085	3,760,918	3,481,454
Malaysia	56,387	38,686	421,368	433,213
Others	3,225	2,884	67,853	70,277
	1,151,162	989,795	5,389,350	5,139,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

8. INVESTMENT AND OTHER INCOME

	2023 RMB'000	2022 RMB'000
Bank interest income	7,610	33,018
Government grant	9,487	9,868
Rental income	2,610	14,573
Interest income from short-term loan to a third party	–	1,730
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	605	578
Gain on disposal of an investment property	–	74,674
Others	2,313	5,801
	22,625	140,242

9. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
(Loss)/gain arising from fair value changes of convertible bonds	(55,828)	26,352
Reversal of other payables	9,057	15,561
Loss arising from changes in fair value of financial assets measured at FVTPL	(961)	(915)
Gain on disposal of property, plant and equipment	7,332	16,232
Net foreign exchange gain/(loss)	105,373	(23,904)
Gain arising from fair value changes of contingent consideration	–	24,139
Gain on bargain purchase of acquisition of a subsidiary	–	73,029
Compensation of Zhixin Case (Note)	–	(99,205)
Others	657	(7,433)
	65,630	23,856

9. OTHER GAINS AND LOSSES (Continued)

Note:

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 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 (the “Option”) provided in the Agreement. The date of hearing at the Court of First Instance of the High Court for the Zhixin Case was heard on 16 May 2022.

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

In late August 2022, the Company received the judgment on the Zhixin Case (“Judgment”) dated 31 August 2022 from the Court. Pursuant to the Judgment, it was ruled in favour of Zhixin and held that, among others, (1) the Company was ordered to pay damages in the amount of HKD70,840,000 together with interest; (2) the counterclaims of the Company for misrepresentation, declaratory relief and/or restitution against Zhixin were dismissed; and (3) a costs order nisi was made that costs of the proceedings be paid by the Company to Zhixin, with certificate for two counsel, to be taxed if not agreed. The Court made a further order on 23 September 2022 (“Order of 23 September 2022”) in relation to the amount payable in connection with the proceedings of the Zhixin Case. Subsequently, Zhixin and the Company reached an agreement to settle all sums payable in connection with the Judgment and the Order of 23 September 2022 (“Settlement”). On 5 January 2023, in light of the Settlement reached by the parties, Zhixin and the Company jointly applied to the Court for an order to stay the enforcement of the Judgment and the Order of 23 September 2022. Pursuant to the Settlement, on 6 January 2023, a settlement sum of approximately HKD118.2 million (equivalent to RMB99,205,000) was partially covered by a deposit made to the Court, and the rest was paid by the Company to Zhixin (which has acknowledged receipt of such payment) to fully settle the Company of its payment obligations owed to Zhixin in respect of the Judgment inclusive of damages, costs and interests as set out in the Judgment and the Order of 23 September 2022. On 25 May 2023, the Court made an order that the full payment of approximately HK\$100.6 million paid by the Company on 6 January 2023 shall fully settle the Company’s outstanding payment obligations owed to Zhixin in respect of the judgment sum inclusive of damages, costs and accrued interests as set out in the Judgment and the Order of 23 September 2022.

As of the day of this report, the compensation payable had been settled.

10. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank loans and other borrowings	210,406	187,009
Interest on convertible bond	9,408	18,412
Leases interests	897	769
	220,711	206,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

11. TAXATION

	2023 RMB'000	2022 RMB'000
Enterprise income tax ("EIT")		
Provision for the year	22,101	56,165
Singapore enterprise income tax		
Provision for the year	37,659	2,402
(Over-provision)/under-provision in prior years	(5,436)	6,648
Deferred tax (Note 31)	(6,977)	(38,200)
	47,347	27,015

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

	2023 RMB'000	2022 RMB'000
Profit before taxation	52,467	84,140
Tax at PRC EIT rate of 25%	13,117	21,035
Tax effect of preferential tax rate granted	(15,995)	(6,445)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(35,932)	4,875
Tax effect of tax loss not recognised	18,401	5,705
Tax effect of deductible temporary differences not recognised	–	80
Tax effect of recognised and utilisation of deferred tax assets	–	(20,704)
Utilisation of tax loss previously not recognised	(452)	(5,710)
Tax effect of income not taxable for tax purposes	(21,965)	(49,821)
Tax effect of expenses not deductible for tax purposes	95,609	71,352
Tax effect of (over-provision)/under-provision in prior years	(5,436)	6,648
Tax charge for the year	47,347	27,015

11. TAXATION (Continued)

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited (“**Maple BVI**”) was incorporated in the BVI, both are tax exempted as no business is carried out in the Cayman Islands or the BVI under the tax laws of the Cayman Islands or the BVI, respectively.

No provision for Hong Kong Profits Tax has been made as the Group’s operation in Hong Kong had no assessable profit for the years ended 31 August 2023 and 2022. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

Dalian Beipeng Software is entitled to High and New Technology Enterprise (“**HNTE**”) status starting from the calendar year of 2017. Dalian Beipeng Software is eligible for a preferential enterprise income tax rate of 15% starting from the calendar year of 2017. The HNTE status is valid for three years, and is renewed on 14 December 2022.

According to the Implementation Regulations for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, subject to review by relevant tax bureaus each year. Dalian Maple Leaf International School (the “**Dalian High School**”) and Wuhan Maple Leaf International School have been granted enterprise income tax exemption for the tuition income from relevant local tax bureaus.

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

During the year ended 31 August 2023, non-taxable tuition income was RMB176,232,000 (2022: RMB262,079,000), and the related expense of RMB118,296,000 (2022: RMB92,669,000) was not deductible.

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,015,405,000 at 31 August 2023 (2022: RMB872,517,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2023 RMB'000	2022 RMB'000
Staff costs, including directors' remuneration		
– salaries and other allowances	466,204	422,075
– retirement benefit scheme contributions	15,505	10,986
– share-based payments	1,953	7,501
Total staff costs	483,662	440,562
Gross rental income from investment properties	(2,610)	(14,573)
Less: Direct operating expenses incurred for investment properties (included in administrative expenses)	36	1,314
Net rental income	(2,574)	(13,259)
Depreciation of property, plant and equipment	107,405	84,432
Amortisation of intangible assets	75,874	85,474
Depreciation of right-of-use assets	14,579	18,819
Depreciation of investment properties	905	2,265
Auditors' remuneration	3,200	4,450
Amortization of books for lease	140	260
Loss/(Gain) arising from fair value changes of convertible bonds	55,828	(26,352)
Gain arising from fair value changes of contingent consideration	–	(24,139)

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executives

Details of the emoluments paid to the Directors and the chief executives of the Company are as follows:

For the year ended 31 August 2023

	Note	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors						
Sherman Jen	(i)	–	3,017	–	–	3,017
Jingxia Zhang		–	2,022	84	–	2,106
James William Beeke		–	1,044	42	–	1,086
Non-executive director						
Kem Hussain	(ii)	216	–	–	–	216
Independent non-executive directors						
Lap Tat Arthur Wong	(iii)	180	–	–	–	180
Peter Humphrey Owen		346	–	54	–	400
Alan Shaver	(v)	323	–	–	–	323
Wai Fong Wong	(ii)	216	–	–	–	216
King Pak Lau	(iv)	180	–	–	–	180
Total		1,461	6,083	180	–	7,724

For the year ended 31 August 2022

	Note	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors						
Sherman Jen	(i)	–	3,378	–	–	3,378
Jingxia Zhang		–	1,888	117	–	2,005
James William Beeke		–	1,034	59	–	1,093
Non-executive director						
Kem Hussain	(ii)	–	–	–	–	–
Independent non-executive directors						
Lap Tat Arthur Wong	(iii)	336	–	59	–	395
Peter Humphrey Owen		323	–	59	–	382
Alan Shaver	(v)	302	–	–	–	302
Wai Fong Wong	(ii)	–	–	–	–	–
King Pak Lau	(iv)	–	–	–	–	–
Total		961	6,300	294	–	7,555

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For the year ended 31 August 2023

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executives (Continued)

Note:

- (i) Mr. Sherman Jen has been Chairman of the board and the chief executive officer of the Company for both years, and his emoluments disclosed above include those for services rendered by him as the chief executive officer.
- (ii) Ms. Wai Fong Wong was appointed as an independent non-executive director and Dr. Kem Hussain was appointed as a non-executive director of the Company with effect from 1 January 2023.
- (iii) Mr. Lap Tat Arthur Wong was resigned as an independent non-executive director of the Company with effect from 28 February 2023.
- (iv) Mr. King Pak Lau was appointed as an independent non-executive director of the Company with effect from 28 February 2023.
- (v) Mr. Alan Shaver was resigned as an independent non-executive director of the Company with effect from 31 August 2023.
- (vi) The amounts of emoluments of the Directors disclosed above represent emoluments paid or receivable in respect of their services as a Director. During the year ended 31 August 2023, there were no retirement benefits paid to Directors in respect of the services as a director of the Company (2022: nil).

Employees

The five highest paid individuals of the Group included two directors for the year ended 31 August 2023 (2022: two) whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals for the year ended 31 August 2023 (2022: three), are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	7,484	7,332
Retirement benefit scheme contribution	84	–
	7,568	7,332

The emoluments of the five highest paid individuals, other than directors, were within the following bands:

	No. of employees 2023	2022
HKD1,500,001 to HKD2,000,000	1	1
HKD2,500,001 to HKD3,000,000	1	1
HKD4,000,001 to HKD4,500,000	1	1
	3	3

No inducement paid or payable by the Group to the Directors to join or upon joining the Group or as compensation for loss of office and Mr. Sherman Jen has waived a total of HKD667,000 remuneration as of 31 August 2023. During the year ended 31 August 2023, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the Directors (2022: nil).

14. DIVIDENDS

No dividend in respect of the year ended 31 August 2023 and 2022 have been proposed by the Directors of the Company.

15. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share	5,120	57,125
Interest expenses for convertible bonds	–	18,412
Gain arising from fair value changes of convertible bonds	–	(26,352)
Earnings for the purpose of dilutive earnings per share	5,120	49,185

Number of shares:

	At 31 August	
	2023	2022
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,971,011	2,971,011
Effect of dilution		
<i>weighted average number of ordinary shares:</i>		
– Convertible bonds	–	383,881
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	2,971,011	3,354,892

The number of shares adopted in the calculation of the basic earnings per share for the years ended 31 August 2023 and 2022 have been arrived at after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

The number of shares adopted in the calculation of the diluted loss per share for the year ended 31 August 2023 and 2022 do 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 year ended 31 August 2023 and 2022.

The computation of diluted earning per share for the year ended 31 August 2023 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share.

The computation of diluted earnings per share for the year ended 31 August 2022 assumes the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in earnings per share.

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For the year ended 31 August 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 September 2021	2,792,937	24,957	6,386	32,394	50,025	33,345	2,940,044
Additions	47,072	167	273	2,936	5,742	297,339	353,529
Transfer from construction in progress	14,903	–	–	–	–	(14,903)	–
Acquire from acquisition of a subsidiary	–	–	12	1,114	1,403	–	2,529
Disposals	(5,315)	–	(90)	(2,654)	(1,104)	–	(9,163)
Exchange adjustment	18,369	5	41	27	162	261	18,865
At 31 August 2022 and 1 September 2022	2,867,966	25,129	6,622	33,817	56,228	316,042	3,305,804
Additions	1,571	710	93	5,977	7,336	104,175	119,862
Transfer from construction in progress	398,051	–	–	12,108	–	(410,159)	–
Disposals	(62,101)	(1,453)	(622)	(21,773)	(12,120)	–	(98,069)
Transfer to investment properties	(131,366)	–	–	–	–	–	(131,366)
Exchange adjustment	75,064	(1,396)	116	2,035	586	4,969	81,374
At 31 August 2023	3,149,185	22,990	6,209	32,164	52,030	15,027	3,277,605
DEPRECIATION AND IMPAIRMENT							
At 1 September 2021	865,983	8,308	3,250	15,155	38,055	6,990	937,741
Provided for the year	70,289	2,398	643	5,841	5,261	–	84,432
Eliminated on disposals	(918)	–	(86)	(2,521)	(995)	–	(4,520)
Exchange adjustment	2,561	4	23	103	144	120	2,955
At 31 August 2022 and 1 September 2022	937,915	10,710	3,830	18,578	42,465	7,110	1,020,608
Provided for the year	90,521	2,138	651	7,281	6,814	–	107,405
Transfer to investment properties	(4,992)	–	–	–	–	–	(4,992)
Eliminated on disposals	(48,978)	(2)	(2,666)	(22,128)	(12,809)	–	(86,583)
Exchange adjustment	7,849	(1,414)	74	1,187	95	(172)	7,619
At 31 August 2023	982,315	11,432	1,889	4,918	36,565	6,938	1,044,057
CARRYING VALUES							
At 31 August 2023	2,166,870	11,558	4,320	27,246	15,465	8,089	2,233,548
At 31 August 2022	1,930,051	14,419	2,792	15,239	13,763	308,932	2,285,196

The Group's buildings situated on land in the PRC are held by the Group under medium-term lease.

At 31 August 2023, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB358,527,000 (2022: RMB156,491,000) which are located in the PRC.

17. RIGHT-OF-USE ASSETS

	Year ended 31 August	
	2023	2022
	RMB'000	RMB'000
Expense relating to short-term	–	–
Total cash outflow for leases	12,684	9,542
Additions to right-of-use assets	23,430	9,818

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

Details of impairment of right-of-use assets are set out in Note 18.

18. IMPAIRMENT TESTING ON LONG-TERM ASSETS

The Group has deconsolidated the Affected Schools on 31 August 2021. There are certain property and equipment and right-of-use assets held by the Consolidated Affiliated Entities (other than the Affected Schools) occupied by the Affected Schools before the deconsolidation and are expected to be continuously occupied by the Affected Schools subsequent to the deconsolidation. The Group concluded that impairment indicators existed in relation to such assets due to the Implementation Regulations and deconsolidation of the Affected Schools, and performed an impairment assessment on such assets with carrying amounts (before impairment) of RMB545,230,000 and RMB46,798,000, for property and equipment and right-of-use assets, (together, the “**Occupied Asset**”) respectively.

When determining the recoverable amount of the Occupied Assets, the Directors considered (1) currently, there’s no rental agreement with the Affected Schools on the use of the Occupied Assets, (2) the fact that the Implementation Regulations prohibit the Affected Schools to conduct transactions with the related parties, as a result, upon the effective of the Implementation Regulations the Group could not charge fees to the Affected Schools for the use of the Occupied Assets, and (3) it is not practicable for the Group to remove such occupation which imposes significant restriction on the Occupied Assets, and such restriction is a characteristic of the Occupied Assets and not entity specific.

Based on the above assessment of the implications of the Implementation Regulations, and the related facts and circumstances of the Occupied Assets, full impairment was made for the Occupied Assets as at 31 August 2021. Impairment losses of RMB545,230,000 and RMB46,798,000 have been recognised against the carrying amount of property and equipment and right-of-use assets, respectively.

As at 31 August 2023, the Group’s management assessed: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

Based on the above assessment made for the long-term assets, as at 31 August 2023, no impairment losses have been recognised against the carrying amount of property and equipment and right-of-use assets.

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19. INVESTMENT PROPERTIES

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

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

	RMB'000
COST	
At 1 September 2021	355,071
Disposal	(331,831)
Exchange adjustments	5,764
At 31 August 2022 and 1 September 2022	29,004
Transfer from property, plant and equipment	126,374
Exchange adjustments	189
At 31 August 2023	155,567
DEPRECIATION	
At 1 September 2021	26,195
Provided for the year	2,265
Disposal	(17,445)
Exchange adjustments	241
At 31 August 2022 and 1 September 2022	11,256
Provided for the year	905
Exchange adjustments	15
At 31 August 2023	12,176
CARRYING VALUES	
At 31 August 2023	143,391
At 31 August 2022	17,748

19. INVESTMENT PROPERTIES (Continued)

Based on the valuation report prepared by independent professional valuers, Cushman & Wakefield Limited for investment property located in PRC and Valplus Consulting Limited for investment property located in Canada, the fair value of the Group's investment properties at 31 August 2023 is RMB256,701,000 (2022: RMB101,033,000). The fair value has been arrived based on a valuation carried out by Cushman & Wakefield Limited for investment property located in PRC and by Valplus Consulting Limited for investment property located in Canada. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests and determined by cost of reproduction new. The key inputs are term capitalisation rate, market unit rent of individual unit, and the cost of reproduction new.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Carrying value RMB'000	Level 3 Fair value RMB'000
Commercial property units located in the PRC		
At 31 August 2023	133,657	178,600
At 31 August 2022	7,895	30,800
Commercial property units located in Canada		
At 31 August 2023	9,734	78,101
At 31 August 2022	9,853	70,203

The above investment properties are depreciated on a straight-line basis at 2.0% and 3.2% per annum (2022: 2.0% and 3.2% per annum), respectively. The Group's investment properties are situated on land in the PRC and Canada (2022: PRC and Canada).

During the year ended 31 August 2022, the Group disposal of the investment property in Singapore at a consideration of approximately RMB389,060,000 and recorded a gain on disposal of an investment property of approximately RMB74,674,000.

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For the year ended 31 August 2023

20. GOODWILL

	2023 RMB'000	2022 RMB'000
COST AND CARRYING VALUES		
At 1 September	1,949,551	1,896,803
Exchange adjustment	172,842	52,748
At 31 August	2,122,393	1,949,551

Particulars regarding impairment testing on goodwill are disclosed in Note 22.

21. OTHER INTANGIBLE ASSETS

	Student base RMB'000	Licence RMB'000	Trademark RMB'000	Total RMB'000
COST				
At 1 September 2021	306,555	67,620	559,388	933,563
Acquire from acquisition of a subsidiary	3,854	–	–	3,854
Exchange adjustment	8,310	727	14,357	23,394
At 31 August 2022 and 1 September 2022	318,719	68,347	573,745	960,811
Exchange adjustment	27,426	3,437	48,052	78,915
At 31 August 2023	346,145	71,784	621,797	1,039,726
AMORTISATION				
At 1 September 2021	43,025	24,674	2,349	70,048
Provided for the year	63,948	21,526	–	85,474
Exchange adjustment	1,246	64	18	1,328
At 31 August 2022 and 1 September 2022	108,219	46,264	2,367	156,850
Provided for the year	56,147	19,727	–	75,874
Exchange adjustment	11,646	2,905	18	14,569
At 31 August 2023	176,012	68,896	2,385	247,293
CARRYING VALUES				
At 31 August 2023	170,133	2,888	619,412	792,433
At 31 August 2022	210,500	22,083	571,378	803,961

21. OTHER INTANGIBLE ASSETS (Continued)

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

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 22.

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

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 20 and 21 have been allocated to the CGUs that are expected to benefit from the business combination. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill		Trademark	
	At 31 August		At 31 August	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
CGUs:				
Kingsley Edugroup Berhad ("Kingsley")	–	–	32,498	32,260
Star Readers Pte. Ltd. ("STAR")	2,122,393	1,949,551	586,914	539,118
	2,122,393	1,949,551	619,412	571,378

The recoverable amount of each CGU has been determined based on value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period and discount rate. Extrapolated growth rate used in cash flow projections is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue, such estimation is based on each CGU's past performance and the management's expectations for future market development. The cash flows projections, growth rates and discount rate have been reassessed as at 31 August 2023 taking into consideration higher degree of estimation uncertainties in the current year due to volatility in financial markets, including potential disruptions of the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The major underlying assumptions are summarised below:

	Pre-tax discount rate		Extrapolated growth rate	
	2023	2022	2023	2022
Kingsley	17.4%	16.3%	2.4%	2.4%
STAR	14.0%	14.0%	1.5%	1.6%

Other assumptions are summarised below:

	Average revenue growth rate	
	2023	2022
Kingsley	20.9%	30.5%
STAR	16.2%	15.8%

The recoverable amount of CGUs and the headroom are as follows:

	Recoverable amount	Headroom
	RMB'000	RMB'000
Kingsley	340,423	307,925
STAR	3,768,334	1,059,027

The Group tests goodwill and trademarks annually for impairment or more frequently if there are indicators that goodwill and trademark might be impaired. The impairment test of the current year were performed by the Company with reference to an independent valuation provided by Duff & Phelps, an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience of valuation of similar scope. Its address is Suite 801–803, 8/F Tower 2, China Central Place, 79 Jianguo Road, Chaoyang District, Beijing, China.

During the year ended 31 August 2023, in view of the (1) improved performance of Kingsley and STAR during the year in view of the increased number of students, and (2) the gradual recovery of the Covid-19 pandemic and its reduced impact on international travelling and international students, and based on the discounted cash flow analysis of Kingsley and STAR. The Directors considered that no impairment of goodwill and trademark directly related to Kingsley and STAR should be recognised for the year ended 31 August 2023.

The management has conducted a sensitivity analysis of key assumptions applied in conducting the above impairment testing of STAR and Kingsley, which assumes one assumption changed, while other parameters remain constant.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The sensitivity analysis of STAR is as follows:

	Change of assumptions		Recoverable amount		Further impairment	
	2023	2022	2023	2022	2023	2022
			RMB'000	RMB'000	RMB'000	RMB'000
Average revenue growth rate decrease by 1%	15.2%	14.8%	3,459,648	3,288,975	—	—
Pre-tax discount rate increase by 0.5%	14.5%	14.5%	3,579,919	3,398,640	—	—
Extrapolated growth rate decrease by 0.5%	1.0%	1.1%	3,661,759	3,468,925	—	—

The sensitivity analysis of Kingsley is as follows:

	Change of assumptions		Recoverable amount		Further impairment	
	2023	2022	2023	2022	2023	2022
			RMB'000	RMB'000	RMB'000	RMB'000
Average revenue growth rate decrease by 1%	19.9%	29.5%	303,328	282,577	—	—
Pre-tax discount rate increase by 0.5%	14.5%	16.8%	323,402	299,634	—	—
Extrapolated growth rate decrease by 0.5%	1.9%	1.9%	330,425	305,962	—	—

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23. DEPOSITS, PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Receivable from third parties	14,333	13,811
Short-term loan to a third party (Note)	–	25,193
Prepaid rent and other prepaid expenses	17,983	11,561
Trade receivables net of allowance for credit losses	12,643	16,568
Deposits	10,204	6,040
Staff advances	238	328
Management fees receivables	1,865	–
Others	22,517	26,045
	79,783	99,546

Note:

As of the date of this report, the abovementioned short-term loan was fully settled.

Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit loss (“ECL”). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable.

The following table details the risk profile of trade receivables from contracts with customers based on the Group’s provision matrix. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group’s different customer bases. The following is an analysis of trade receivables by age, presented based on the dates the students were informed for payment.

	2023 RMB'000	2022 RMB'000
Not past due	11,787	13,513
0–30 days	603	704
31–60 days	11	205
61–90 days	–	8
Over 90 days	242	2,138
	12,643	16,568

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Listed securities:		
– Equity securities listed in the Stock Exchange	7,266	7,787
Wealth management products issued by banks	–	23,918
	7,266	31,705
Analysed for reporting purposes as:		
Current assets	7,266	31,705

Listed securities and wealth management products are classified as current as the management expects to realize these financial assets within twelve months after the reporting period.

25. BANK BALANCES AND CASH

	2023 RMB'000	2022 RMB'000
Bank balances and cash	528,041	805,876

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26. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Tuition and boarding fees	463,770	425,760
Others	49,789	75,790
	513,559	501,550

27. OTHER PAYABLES AND ACCRUED EXPENSES

	2023 RMB'000	2022 RMB'000
Payables for purchase of property, plant and equipment	65,491	116,112
Miscellaneous expenses received from students (Note)	41,244	38,846
Accrued payroll	20,452	18,737
Deposits received from students	25,983	23,257
Acquisition consideration payable	9,269	9,272
Payables for purchase of goods	4,275	7,469
Accrued operating expenses	20,653	17,644
Prepayment from lessee	6,549	19,768
Compensation of Zhixin Case (Note 9)	–	84,528
Other tax payables	1,626	24,176
Others	48,244	52,818
	243,786	412,627

Note:

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

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28. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	5,596	9,352
Within a period of more than one year but not exceeding two years	4,186	2,882
Within a period of more than two years but not exceeding five years	8,647	2,229
Within a period of more than five years	8,983	3,590
	27,412	18,053
Less: Amounts due within one year shown under current liabilities	(5,596)	(9,352)
Amounts shown under non-current liabilities	21,816	8,701

The weighted average incremental borrowing rates applied to lease liabilities range from 2.87% to 5.00% (2022: from 2.87% to 5.00%).

29. BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured bank and other borrowings	1,144,292	763,136
The carrying amounts of the above borrowings are repayable:		
On demand or within one year	1,084,279	691,592
Within a period of more than one year but not exceeding two years	15,560	15,060
Within a period of more than two years but not exceeding five years	44,453	47,492
Within a period of more than five years	–	8,992
	1,144,292	763,136
Less: Amounts due within one year shown under current liabilities	(1,084,279)	(691,592)
Amounts shown under non-current liabilities	60,013	71,544

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For the year ended 31 August 2023

29. BORROWINGS (Continued)

Notes:

- (a) As of 31 August 2022, the borrowing amounting to SGD138,750,000 (equivalent to approximately RMB678,465,000) is secured over (1) a corporate guarantee from the Company; (2) all the shares of the Offshore Group (including CIS) and Maple Leaf CIS Holdings Pte. Ltd.; (3) all the assets of the Offshore Group; (4) debt service reserve account held by CIS; (5) dividend accounts (if any), and (6) pledge over all the shares of Dalian Beipeng Software. As of the date of this report, the abovementioned borrowings were fully repaid.

In December 2022, the Company entered into a new borrowing agreement amounting to USD143,000,000 (equivalent to approximately RMB1,038,995,000) at a floating interest rate with a base rate of 3.60% due in July 2024 and has the right to apply an extension of 12 months which subject to an approval from the lender. Pursuant to the agreement, the borrowing is secured by (1) share security over 100% shares in certain subsidiaries of the Group; (2) fixed and floating charge and joint control and monitoring rights over cash accounts of certain subsidiaries of the Group; and (3) fixed and floating charge over all assets of certain subsidiaries of the Group.

As of the date of this report, the outstanding principal balance is approximately USD143,000,000 (equivalent to approximately RMB1,038,995,000).

- (b) As of 31 August 2023, the borrowings amounting to MYR47,828,000 (equivalent to approximately RMB74,403,000) are secured by pledge of debt service reserve account held by Kingsley International Sendirian Berhad (subsidiaries owned by Kingsley) and debenture incorporating fixed and floating charge over all assets and undertakings of Kingsley.

These borrowings carry interest at fixed or variable interest rates ranging from 0.70% to 5.93% (2022: 0.65% to 5.61%) per annum.

30. CONSIDERATION PAYABLE

	2023 RMB'000	2022 RMB'000
Consideration payable	—	219,591

30. CONSIDERATION PAYABLE (Continued)

On 19 June 2020, the Group has entered into a sales and purchase agreement (“**the Agreement**”) for the acquisition of entire equity interest of STAR. STAR is principally engaged in the operation of a K-12 boarding school located in Singapore through its wholly owned subsidiary CIS. According the Agreement, the total consideration is determined at SGD680,000,000 (equivalent to RMB3,434,204,000) subject to certain acquisition day adjustment and variation of contingent considerations.

The acquisition is structured in two tranches, on 26 August 2020, the acquisition of the first tranche of 90% of the equity interest of STAR was completed (the “**acquisition date**”). With effect from the closing of the first tranche acquisition, the Company has obtained control of STAR and has consolidated STAR since the acquisition date. The second tranche is for the transfer of the remaining 10% equity interest of STAR upon settlement of the second tranche consideration. It shall take place at the end of the academic year 2022 according to the Agreement. Based on the terms and arrangements of the Agreement and the structuring of the whole transaction, the Directors consider that the acquisition of the first 90% and the remaining 10% equity interest of STAR are linked transactions and therefore, accounted it as a single acquisition transaction.

On 20 January 2023, the Group and the Seller signed a confirmation of second closing to confirm the second tranche amount of SGD44,438,000 (equivalent to approximately RMB219,591,000).

As of the date of this report, the abovementioned consideration payable were fully repaid.

31. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses RMB'000
At 1 September 2021	–
Credit to profit or loss	20,704
At 31 August 2022 and 1 September 2022	20,704
Charge to profit or loss	(4,512)
At 31 August 2023	16,192

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31. DEFERRED TAX (Continued)

Deferred tax liabilities

The following are the movements during the current and prior years:

	Fair value adjustment on assets acquired through business combination RMB'000
At 1 September 2021	255,820
Acquisition of a subsidiary	964
Credit to profit or loss	(17,496)
Exchange adjustments	3,450
At 31 August 2022 and 1 September 2022	242,738
Credit to profit or loss	(11,489)
Exchange adjustments	16,418
At 31 August 2023	247,667

32. CONVERTIBLE BONDS

	2023 RMB'000	2022 RMB'000
Convertible bonds (Note)	515,921	778,663
Analysed for reporting purposes as:		
Current liabilities	227,078	506,131
Non-current liabilities	288,843	272,532
	515,921	778,663

Note:

On 12 January 2021, the Company entered into a 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").

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 recognised and measured as financial liabilities designated at FVTPL. The fair value as of the Issue Date was RMB808,551,000.

32. CONVERTIBLE BONDS (Continued)

Note: (Continued)

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 31 August 2023 is HKD2.525 (2022: HKD2.525) per share.

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.

During the year ended 31 August 2022, pursuant to the conditions of the Convertible Bonds (the “**Bond Conditions**”), Applicable Relevant Event (being which occurred on 23 May 2022 as a result of the suspension of trading of the Shares on the Stock Exchange commencing from 3 May 2022 in connection with the Company’s delay in the publication of the unaudited interim results of the Group for the six months ended 28 February 2022) occurred and the holder of each Bond will have the right, at such holder’s option (the “**Bondholder Put Option**”), to require the Company to redeem all or some only of such holder’s Bond on the relevant event redemption date (the “**Relevant Event Redemption Date**”) at the early redemption amount together with interest accrued but unpaid to (but excluding) such date in accordance with the Bond Conditions by submitting to the specified office of the paying agent (the “**Paying Agent**”) a relevant event redemption notice (the “**Relevant Event Redemption Notice**”) within the applicable time period specified in Bond Conditions (the “**Exercise Period**”). Whether to exercise the Bondholder Put Option is at the discretion of the Bondholders.

In August 2022, the aggregate principal face value of the Bonds in respect of which the Paying Agent has received a Relevant Event Redemption Notice on or prior to the expiry of the Exercise Period is USD125,000,000 and the Relevant Event Redemption Date was 14 August 2022. However, the Company failed to pay the amount of principal, interest, and premium (if any) due in respect of the Bonds before the Relevant Event Redemption Date. On 15 August 2022, the Company and holders of the Bonds who collectively hold or are economically entitled to approximately 70 per cent of the principal amount of the Bonds entered into a standstill and consent solicitation support agreement (the “**Standstill Agreement**”) which sets out the parties’ in-principle agreement to implement. The terms and conditions, including proposed waivers (the “**Proposed Waivers**”), proposed amendments (the “**Proposed Amendments**”) and new undertakings (the “**New Undertakings**”), of the Standstill Agreement were agreed upon in an extraordinary meeting (the “**Extraordinary Meeting**”) which was held subsequently after 31 August 2022 (being 23 September 2022).

The Proposed Waivers refer to the extraordinary resolution passed in the Extraordinary Meeting constitute a direction by the holders of the Bonds to the trustee to irrevocably and unconditionally consent to (a) a waiver of the Applicable Relevant Event; and (b) a waiver of any potential event of default or event of default that has occurred (1) in relation to Condition 8(E) (Redemption for Relevant Event) of the Bonds or otherwise directly in relation to the Applicable Relevant Event; and (2) as a result of the Company’s entry into the Standstill Agreement.

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For the year ended 31 August 2023

32. CONVERTIBLE BONDS (Continued)

Note: (Continued)

The New Undertakings are summarized as follows:

Mandatory Redemption Undertaking

The Company shall undertake, for the benefit of each holder of Bonds, that in the event that the Proposed Waivers and Amendments are approved by the requisite majority of Bondholders, it shall redeem the Bonds at the times and in the manner set out as below:

- (a) 40 per cent. of the aggregate principal amount of the Bonds originally issued at their principal amount plus accrued and unpaid interest on the Implementation Date (being 27 October 2022); and
- (b) subject to the Security Undertaking, 25 per cent. of the aggregate principal amount of the Bonds originally issued at their principal amount plus accrued and unpaid interest on the date that is nine (9) months after the Implementation Date (the “**Second Mandatory Redemption**”),

((a) to (b) together, the “**Mandatory Redemption Undertaking**”).

The Bonds selected for redemption shall be on a pro-rata basis.

The Company announced that the Company did not have sufficient offshore funds to make the Second Mandatory Redemption on 27 June 2023 due to the prevailing controls of the State Administration of Foreign Exchange of the People’s Republic of China (the “**PRC**”) and other related PRC policies and regulations which are currently preventing the Company and its applicable Subsidiaries from remitting sufficient funds out of the PRC, resulting in the occurrence of an event of default under the Bond Conditions. On 12 September 2023, the Company announced that on 11 September 2023, the bondholders passed resolutions, includes, among other matters (1) Waived any and all Events of Default relating to the non-payment of the 25% Second Mandatory Redemption and the Relevant Event; and (2) 25% Second Mandatory Redemption pushed out to 27 January 2024.

As of the date of this report, the aggregate outstanding principal amount of the Bonds is USD75,000,000 (equivalent to approximately RMB544,928,000). after repayment of the principal amount of USD50,000,000 (being 40 per cent. of the aggregate principal amount of the Bonds) in October 2022.

33.SHARE CAPITAL

	Number of shares '000	Amount USD'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of USD0.0005 each Authorised At 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023	8,000,000	4,000	
Issued and fully paid At 1 September 2021, 31 August 2022, 1 September 2022 and 31 August 2023	2,995,321	1,498	9,309

34.RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC, Malaysia and Singapore are members of a state-managed retirement benefits scheme operated by the PRC, Malaysia and Singapore Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

35.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 (the "Share Subdivision").

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35. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Movements of the Company's share options granted under the Post-IPO Share Option Scheme are as follows:

For the year ended 31 August 2023:

	Date of grant	Option type	Outstanding at 1 September 2022	Granted during the period	Forfeited during the period	Lapsed during the period	Exercised during the period	Outstanding at 31 August 2023
Executive director:								
Jingxia Zhang	14 June 2018	Post-IPO-4th	400,000	-	-	(400,000)	-	-
James William Beeke	14 June 2018	Post-IPO-4th	200,000	-	-	(200,000)	-	-
Independent non-executive director:								
Peter Humphrey Owen	14 June 2018	Post-IPO-4th	138,400	-	-	(138,400)	-	-
Wong Lap Tat Arthur (retired on 28 February 2023)	14 June 2018	Post-IPO-4th	138,400	-	-	(138,400)	-	-
Peter Humphrey Owen	28 June 2019	Post-IPO-6th	122,000	-	-	(62,000)	-	60,000
Wong Lap Tat Arthur (retired on 28 February 2023)	28 June 2019	Post-IPO-6th	122,000	-	(60,000)	(62,000)	-	-
Employees in aggregate:								
	14 June 2018	Post-IPO-5th	3,620,000	-	(500,000)	(3,120,000)	-	-
			4,740,800	-	(560,000)	(4,120,800)	-	60,000
Exercisable at the end of the year								
								-

The Group recorded share-based compensation expense of RMB1,953,000 for the year ended 31 August 2023 (2022: RMB7,501,000), in relation to the share options granted under the Post-IPO Share Option Scheme. During the current year, no share options under the Post-IPO Share Option Scheme were granted or exercised.

36. SHARE AWARD SCHEME

The Share Award Scheme was adopted by the Company on 10 November 2014 and modified by the Board on 28 April 2015.

The grant of share awards (the "Awards") recognises the contribution of the Directors, executive officers, senior management, employees and consultants of the Company and of its subsidiaries and consolidated affiliated entities (collectively, "Scheme Companies" and each, a "Scheme Company") to the historical achievements of the Company. The Company has the intention to continue exploring ways to incentivise, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other share award schemes or other share-based remuneration schemes in the future.

36. SHARE AWARD SCHEME (Continued)

Awards

Each Award is a right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the Share Award Scheme. For each Award, the Eligible Participants (as defined below) may receive, subject to vesting, one Share.

Awards cannot be sold, pledged or transferred by the Eligible Participants by any means, except by inheritance.

Grant of Awards

The Share Award Scheme provides for the grant of Awards by the Company to beneficiaries (the “**Beneficiaries**”) selected at the discretion of the Board from among the directors, executive officers, senior management, employees and consultants of the Scheme Companies (the “**Eligible Participants**”). Shares will not be released under the Awards until the applicable vesting conditions have been satisfied.

Awards cannot be sold, pledged or transferred by the Eligible Participants by any means, except by inheritance.

Shares underlying the Awards

The Company will from time to time transfer the necessary funds and instruct the scheme trustee (“**Scheme Trustee**”) to acquire Shares through on-market transactions so as to satisfy Awards.

The Share Award Scheme Shares will be held on trust by the Scheme Trustee until their release to the Beneficiaries upon vesting of their Awards.

The grant of Awards by the Company to a connected person of the Company will be subject to the requirements of Chapter 14A of the Listing Rules.

Restrictions on grants and Share purchases

No instruction may be given to the Scheme Trustee to acquire Shares and no Award may be granted when the Board is in possession of unpublished inside information in relation to the Scheme Companies or when dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Vesting of Awards

Vesting of Awards is subject to continued employment of the Beneficiaries with a Scheme Company over the vesting period as determined by the Board. Upon vesting, the Company will instruct the Scheme Trustee to release Share Award Scheme Shares to the Beneficiary on its behalf.

In the event of termination of the employment or corporate officer’s mandate of a Beneficiary with a Scheme Company, his or her Awards will be forfeited: (i) in the case of employment contracts, such forfeiture shall take effect on the date of receipt of the dismissal letter or the submission of the resignation letter (as the case may be), notwithstanding any period of notice (regardless of whether it has been given or satisfied), or on the date of the termination of the employment agreement for other circumstances, and (ii) in the case of corporate officer’s mandate, such forfeiture shall take effect on the date of the expiration of the term of the mandate, or on the date of the dismissal or notification of such dismissal.

In the case of retirement or early retirement of the Beneficiary, Awards are not forfeited. However, the Shares are not released until they vest on the grantee.

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36. SHARE AWARD SCHEME (Continued)

Vesting of Awards (Continued)

If a Beneficiary's employer ceases to be a Scheme Company during the vesting period, the continued employment condition will be deemed not to have been satisfied.

No consideration is paid or payable by the grantees for the Shares to be issued under the Share Award Scheme.

Limit for each Beneficiary

Pursuant to a resolution passed at a meeting of the Board on 29 November 2016, the maximum number of Awards which may be granted to a Beneficiary but unvested under the Share Award Scheme was revised to not exceed 1% of the Shares in issue from time to time.

The Share Award Scheme Period

The Share Award Scheme shall be valid and effective from 28 April 2015 and end on the earlier of (i) the business day immediately prior to the tenth anniversary of 28 April 2015 except in respect of any non-vested Awards granted prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Awards or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Beneficiary in respect of the Awards already granted.

Outstanding Shares awarded

In July 2015, the Scheme Trustee purchased a total of 62,160,000 Shares on the Stock Exchange at a total consideration of approximately HK\$74.7 million (equivalent to approximately RMB59.0 million). During the year ended 31 August 2023 and 2022, the Scheme Trustee did not purchase any Share on the Stock Exchange or grant any Share to the Eligible Participants of the Group under the Share Award Scheme and there was no movement in the outstanding Shares under the Share Award Scheme. As at 31 August 2023 and 2022, there was no outstanding Share granted to the Eligible Participants of the Group under the Share Award Scheme.

As at the date of this report, there were a total of 24,309,988 Shares available under the Share Award Scheme (representing approximately 0.81% of the issued Shares as at the date of this report).

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank balance and cash, amount due from related parties, convertible bonds, amount due to related parties, borrowings and equity attributable to equity holders of the Company, comprising capital, reserves and retained profits.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through repurchase of shares or issuance of new shares.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at FVTPL		
– Listed equity securities	7,266	7,787
– Wealth management products	–	23,918
Financial assets at amortised cost	754,792	1,153,313
Financial liabilities		
FVTPL		
– Convertible bonds	515,921	778,663
Liabilities measured at amortised cost	3,281,122	3,194,537

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits, trade and other receivables, financial assets measured at FVTPL, pledged bank deposits, bank balances and cash, amount due from related parties, other payables, amount due to related parties, borrowings, consideration payable, contingent consideration and convertible bonds. Details of these financial instruments are disclosed in the respective notes. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group conducts its business mainly in the PRC and Southeast Asia. The majority of the Group's revenue and expenditures are denominated in RMB, SGD and MYR. The Company and several subsidiaries of the Company have bank balances, other receivables, other payables and borrowings which are denominated in foreign currencies. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
HKD	26,758	78,603	11,615	84,416
SGD	1,144,292	763,136	68,737	87,704
CAD	–	–	5,234	4,594
USD	–	–	34,652	15,616
MYR	–	–	47,893	28,910
	1,171,050	841,739	168,131	221,240

Sensitivity analysis

The Group is mainly exposed to the currency of USD, SGD, CAD, HKD and MYR (2022: USD, SGD, CAD and HKD). The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against USD, SGD, CAD, HKD and MYR (2022: USD, SGD, CAD and HKD). 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the year end for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit before tax where RMB strengthens 5% against USD, SGD, CAD, HKD and MYR (2022: USD, SGD, CAD and HKD). For a 5% (2022: 5%) weakening of RMB against USD, SGD, CAD, HKD and MYR (2022: USD, SGD, CAD and HKD), there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2023 RMB'000	2022 RMB'000
Profit or loss related to USD	1,730	781
Profit or loss related to SGD	(53,779)	(33,772)
Profit or loss related to CAD	216	230
Profit or loss related to HKD	(2,503)	290
Profit or loss related to MYR	855	1,446

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of the reporting year does not reflect the exposure for the full year.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 28 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see Note 29 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Swap Offer Rate ("SOR") arising from the Group's Singapore dollar denominated borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some SOR with alternative nearly risk-free rates. The Group is closely monitoring the transition to new benchmark interest rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable interest rate bank balances and borrowings. If interest rates had been 5 basis points higher/lower and all other variables were held consistent, the Group's post-tax profit for the year ended 31 August 2023 would decrease/increase by RMB1,403,000 (2022: decrease/increase by RMB1,407,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities for the year ended 31 August 2023. The management manages the exposure to equity price risk of investments in listed equity securities by closely monitoring fluctuation of these investments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks relating to held-for-trading equity instruments investments at the reporting date.

If the price of the respective equity instruments had been 5% higher/lower, post-tax profit for the year ended 31 August 2023 would increase/decrease by RMB357,000 as a result of the changes in fair value.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to wealth management products, deposits, trade and other receivables, pledged bank deposits, restricted cash and bank balances and cash. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Except for investment in wealth management products which is subsequently measure at FVTPL, the Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Pledged bank deposits/restricted cash/bank balances and cash

Credit risk on pledged bank deposits/restricted cash/bank balances and cash is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for pledged bank deposits/restricted bank deposits/bank balances and cash by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits/restricted cash/bank balances and cash is considered to be insignificant.

Other receivables and deposits

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 August 2023, the Group assessed the ECL for other receivables and deposits were insignificant.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and other borrowings and ensures compliance with loan covenants.

The amount of net current liabilities of the Group is approximately RMB1,468,828,000 (2022: RMB1,267,273,000) as at 31 August 2023, which causes the Group in significant liquidity risk.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The interest rates as at the end of the reporting period are used for the cash flow calculation in relation to variable rate interest bearing financial liabilities.

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	3-5 years RMB'000	Over 5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non derivative financial liabilities:								
Other payables	-	237,237	-	-	-	-	237,237	237,237
Amounts due to related parties	4.75	152,792	498,864	908,749	592,028	-	2,152,433	1,955,940
Lease liabilities	3.02	5,596	4,186	3,538	5,370	9,254	27,944	27,412
Fixed and variable interest rates								
borrowings	3.24	1,084,279	19,425	65,776	-	-	1,169,480	1,144,292
Convertible bonds	2.25	227,078	334,841	-	-	-	561,919	515,921
At 31 August 2023		1,706,982	857,316	978,063	597,398	9,254	4,149,013	3,880,802
Non derivative financial liabilities:								
Other payables	-	392,859	-	-	-	-	392,859	392,859
Amounts due to related parties	4.75	117,518	256,347	1,283,170	592,028	-	2,249,063	1,881,206
Lease liabilities	3.02	9,634	3,364	2,270	3,690	-	18,958	18,053
Fixed and variable interest rates								
borrowings	3.24	691,592	18,925	68,815	-	-	779,332	763,136
Convertible bonds	2.25	506,131	397,044	-	-	-	903,175	778,663
At 31 August 2022		1,717,734	675,680	1,354,255	595,718	-	4,343,387	3,833,917

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38. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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 31 August		Fair value hierarchy	Valuation techniques and key inputs
	2023	2022		
Financial assets at FVTPL – listed equity securities (Note 24)	RMB7,266,000	RMB7,787,000	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL – wealth management products (Note 24)	–	RMB23,918,000	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
Convertible Bonds issued by the Group and designated at FVTPL (Note 32)	RMB515,921,000	RMB778,663,000	Level 3	Binomial option pricing model and discounted cash flow method

38. FINANCIAL INSTRUMENTS (Continued)**(c) Fair value measurements of financial instruments (Continued)**

Notes:

- (a) 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 RMB17,072,000.
- (b) A slight increase in the expected volatility used in isolation would result in a significant increase/decrease in the fair value measurement of the Convertible Bonds, and vice versa. A 2% increase in the volatility holding all other variables constant would increase the carrying amount of the Convertible bonds by RMB3,040,000.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Contingent consideration in business combinations RMB'000	Convertible bonds RMB'000
At 1 September 2021	24,178	753,665
Issued	–	–
Total gain:		
in profit or loss	(24,139)	(26,352)
Exchange adjustments	(39)	51,350
At 31 August 2022 and 1 September 2022	–	778,663
Issued		
Repayment during the year	–	(351,080)
Total loss:		
in profit or loss	–	55,828
Exchange adjustments	–	32,510
At 31 August 2023	–	515,921
(#) Include gains or losses for liabilities held at end of reporting period	–	55,828

The total gains or losses recognised in profit or loss including those for liabilities held at the end of reporting period are presented in gain arising from fair value changes of convertible bonds.

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

There were no transfers between Level 1, Level 2 and Level 3 for the years ended 31 August 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

38. FINANCIAL INSTRUMENTS (Continued)

(d) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of reporting period:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation technique	Key input	Fair value 2023 RMB'000	Fair value 2022 RMB'000
Financial assets at FVTPL – wealth management products (Note 24)	Discounted cash flow	Contractual terms of the wealth management products and discounted at a rate that reflects that credit risk of the counterparties	–	23,918

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2023 RMB'000
Convertible Bonds issued by the Group and designated at FVTPL (Note 32)	Binomial option pricing model	Discount rate	8.00%	Increase	515,921
					515,921
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2022 RMB'000
Convertible Bonds issued by the Group and designated at FVTPL (Note 32)	Binomial option pricing model	Discount rate	8.00%	Increase	778,663
					778,663

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

The Group has determined to take measures to optimize its operating structure to mitigate the impact of the Implementation Regulations. Such measures include, among others, transferring current students from high schools which are under the same operating licenses with private schools providing compulsory education and/or not-for-profit preschools in the PRC (the “Mixed High Schools”) to high schools that have their own operating licenses in the PRC (the “Independent High Schools”) and making registration and filings with the relevant local government departments in the PRC for individual operating licenses for the eight Mixed High Schools. Xi’an Maple Leaf School (“Xi’an School”) obtained a private school operating license as an Independent High School in August 2022. The financial positions of Xi’an School were consolidated with the Group as of 10 August 2022.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	2,529
Books for lease	8
Other intangible assets	3,854
Deposits, prepayments, trade and other receivables	338
Bank balances and cash	24,336
Amount due from related parties	91,749
Contract liabilities	(14,458)
Other payables and accrued expenses	(23,391)
Deferred tax liabilities	(964)
Amount due to related parties	(10,972)
Total identified net assets	73,029
Cash consideration transferred	–
Gain on bargain purchase arose in the acquisition	73,029
<i>Inflow of cash to acquire business, net of cash acquired</i>	
Cash consideration transferred	–
Cash and cash equivalents in the entity acquired	24,336
Net cash inflow from the acquisition	24,336

The Group recognised a gain on bargain purchase of approximately RMB73,029,000 in the business combination during the year ended 31 August 2022. The gain is included in other gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Change in liabilities arising from financing activities

The table below details change in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Consideration Payable RMB'000	Convertible bonds RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related parties RMB'000	Total RMB'000
At 1 September 2021	204,005	753,665	2,628,583	18,818	1,868,047	5,473,118
Financing cash flows	-	-	(1,891,544)	(9,542)	-	(1,901,086)
Operating cash flows	-	-	-	-	(24,705)	(24,705)
Dividends/interest paid	-	(18,412)	(61,046)	-	-	(79,458)
New leases entered	-	-	-	9,818	-	9,818
Interest expenses	15,586	18,412	76,726	612	21,764	133,100
Gain arising from changes in fair value	-	(26,352)	-	-	-	(26,352)
Foreign exchange translation	-	51,350	10,417	(1,653)	16,100	76,214
At 31 August 2022 and 1 September 2022	219,591	778,663	763,136	18,053	1,881,206	3,660,649
Financing cash flows	-	(351,080)	280,673	(12,684)	-	(83,091)
Operating cash flows	(219,591)	-	-	(2,565)	6,454	(215,702)
Dividends/interest paid	-	(9,408)	(58,063)	-	-	(67,471)
New leases entered	-	-	-	23,430	-	23,430
Interest expenses	-	9,408	58,063	876	88,511	156,858
Gain arising from changes in fair value	-	55,828	-	-	-	55,828
Foreign exchange translation	-	32,510	100,483	302	(20,124)	113,171
At 31 August 2023	-	515,921	1,144,292	27,412	1,956,047	3,643,672

40. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 1 to 2 years.

Undiscounted lease payments receivable on leases are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	1,278	13,777
In the second year	15	89
	1,293	13,866

41. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of property, plant and equipment	—	17,506

There was no capital commitments which were authorised but not contracted for as at 31 August 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

42. RELATED PARTY TRANSACTIONS AND BALANCES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

(i) During the year, the Group entered into the following balances with related parties:

Relationships	Nature of balances	2023 RMB'000	2022 RMB'000
The Affected Schools	Amounts due from (current)	182,305	245,103
The Affected Schools	Amounts due to (non-current)	1,820,859	1,840,983
The Affected Schools	Amounts due to (current)	135,188	40,223

The above amounts due to and amounts due from the Affected Schools represent balances between the Group and the Affected Schools. Prior to 31 August 2021, these balances were eliminated upon consolidation of the Affected Schools by the Group. The Group deconsolidates the Affected Schools on 31 August 2021, and these balances were no longer eliminated and shown as amounts due to or amounts due from the Affected Schools. As of 31 August 2021, the Affected Schools are legally owned by the affiliated entities of the Group, consequently the Affected Schools are related parties of the Group.

The current portion of the amounts due to and amounts due from the Affected Schools represent balances which are due on demand. The non-current portion of the amounts due to Affected Schools represent long-term borrowing from Affected Schools. The original term of these borrowing were five years and interest free, the remaining term of these borrowing range from one to four years (2021: two to five years).

(ii) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the financial year are as follows:

	2023 RMB'000	2022 RMB'000
Short-term benefits	14,686	9,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-Current Assets		
Investments in subsidiaries	17,870	17,861
Amounts due from subsidiaries	1,183,975	1,548,583
Amounts due from related parties	51,633	42,829
Property and equipment	9	13
Right-of-use assets	161	162
	1,253,648	1,609,448
Current Assets		
Deposits, prepayments and other receivables	–	14,920
Financial assets at fair value through profit or loss	7,266	7,787
Bank balances and cash	12,122	35,666
	19,388	58,373
Current Liabilities		
Other payables and accrued expenses	21,497	62,088
Lease liabilities	161	161
Convertible bonds	227,078	506,131
	248,736	568,380
Net Current Liabilities	(229,348)	(510,007)
Total Assets Less Current Liabilities	1,024,300	1,099,441
Capital and Reserves		
Share capital (Note 33)	9,309	9,309
Reserves	726,148	817,600
	735,457	826,909
Non-Current Liability		
Convertible bonds	288,843	272,532
	288,843	272,532
	1,024,300	1,099,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

In preparing the financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Company in light of the fact that the Company had net current liabilities of approximately RMB229,348,000 (2022: RMB510,007,000) as at 31 August 2023.

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

Notwithstanding the above, as described in Note 2, the Group might not be able to continue to operate as a going concern, which may have impact on the Company's ability to continue to operate as a going concern.

Movement in reserves is as follows:

	Share premium RMB'000	Share held for restricted share award scheme RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2021	1,013,030	(22,280)	53,945	(143,978)	900,717
Loss for the year	-	-	-	(90,618)	(90,618)
Total comprehensive expense for the year	-	-	-	(90,618)	(90,618)
Share-based payments	-	-	7,501	-	7,501
At 31 August 2022 and 1 September 2022	1,013,030	(22,280)	61,446	(234,596)	817,600
Loss for the year	-	-	-	(93,405)	(93,405)
Total comprehensive expense for the year	-	-	-	(93,405)	(93,405)
Share-based payments	-	-	1,953	-	1,953
At 31 August 2023	1,013,030	(22,280)	63,399	(328,001)	726,148

44. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the notes to the consolidated financial statements, there were no material events after the report period to be disclosed.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date of incorporation/ establishment and place of operation	Issued and fully paid share capital/registered capital	Proportion of ownership interests and voting power held by the Group as at 31 August		Principal activities
			2023	2022	
Maple Leaf International School – Dalian 大連楓葉國際學校	15 April 1996 The PRC	RMB43,309,000	100%	100%	High school education
Dalian Beipeng Educational Software Development Inc. 大連北鵬教育軟件開發有限公司 (Note ii)	10 March 2008 The PRC	USD20,000,000	100%	100%	Technical support
Shenzhen Beipeng Educational Software Development Inc. 深圳北鵬教育軟件開發有限公司 (Note ii)	31 May 2021 The PRC	RMB100,000,000	100%	100%	Technical support
Dalian Youwen Educational Technology Company Limited (former name: Dalian Maple Leaf Science and Education Co., Ltd) 大連優文教育科技有限公司(前稱: 大連楓葉科教有限公司)	9 January 2003 The PRC	RMB8,500,000	100%	100%	Investment holding
Dalian Educational Group 大連楓葉教育集團有限公司	23 May 2003 The PRC	RMB140,020,000	100%	100%	Investment holding
Shenzhen Educational Group 深圳楓葉教育集團有限公司	1 June 2021 The PRC	RMB100,000,000	100%	100%	Investment holding
Maple Leaf International School – Wuhan 武漢楓葉國際學校	26 June 2007 The PRC	RMB21,303,454	100%	100%	High school education
Dalian Maple Leaf Supermarket Co., Ltd. 大連楓葉紅超市有限公司 (Note ii)	29 April 2015 The PRC	RMB2,000,000	100%	100%	Retail business
Dalian Maple Leaf Clothing Co., Ltd. 大連楓葉紅服裝有限公司 (Note ii)	26 August 2015 The PRC	RMB3,000,000	100%	100%	Clothing related services
Maple Leaf Education North America Limited (Note iii)	4 February 2016 Canada	Nil	100%	100%	Education related services
Kingsley International Sdn Bhd	2 December 2010 Malaysia	MYR17,500,000	100%	100%	High, middle and elementary school education
Canadian International School Pte Ltd.	12 May 1990 Republic of Singapore	SGD300,000	100%	100%	High, middle and elementary school education

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2023

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

- (i) *The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these subsidiaries are in Chinese.*
- (ii) *The legal forms of Beipeng Software, Dalian Maple Leaf Supermarket Co., Ltd. and Dalian Maple Leaf Clothing Co., Ltd. were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools, including high schools and preschools.*
- (iii) *The registered capital of these subsidiaries are nil as there is no capital requirement under the local laws and regulations.*
- (iv) *None of the subsidiaries have issued any debt securities at the end of 31 August 2023 and 2022.*

46. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 November 2023.