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China Maple Leaf Educational Systems Limited

中國楓葉教育集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1317)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 AUGUST 2021

Reference is made to the annual report of China Maple Leaf Educational Systems Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) for the year ended 31 August 2021 (“**Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

This announcement is made to provide supplemental information in relation to the Annual Report.

Update on the Regulations for the Implementation of the Private Education Promotion Law of the People’s Republic of China (“Implementation Regulations”)

The Implementation Regulations announced by the PRC State Counsel, which came into effect on 1 September 2021, prohibit the Affected Schools from conducting transactions with the related parties. Therefore, some of the affiliated entities of the Group, being the related parties with the Affected Schools, can no longer provide services to the Affected Schools and can no longer receive fees for doing so under the Contractual Agreements (that is equivalent to substantially all of the returns generated by the Affected Schools and attributable to the Group).

Although the Implementation Regulations do not directly prohibit the Group from transferring the Affected Schools to realise the benefits, under the current requirements of the Implementation Regulations, the economic benefits of the Affected Schools cannot be obtained by the owner due to the fact that (1) the related party transactions with the Affected Schools are prohibited; and (2) the profit cannot be distributed to the owners as the Affected Schools are not-for-profit entities.

For the year ended 31 August 2021, 54 schools were impacted by the Implementation Regulations. Up to the date of the Annual Report, the Affected Schools are still in operation after the deconsolidation. The current operation model of the Affected Schools remains unchanged after the deconsolidation. The Affected Schools continue to be operated by the original operator, Dalian Maple Leaf Education Group Co., Ltd.. After deconsolidation, the profit and economic benefits generated will be retained by the Affected Schools which are not-for-profit entities and the Group would no longer be able to generate economic benefits from the Affected Schools.

The Affected Schools are not-for-profit entities. Subject to the enactment of the corresponding classification management regulations, rules and policies for the Implementation Regulations and further negotiations with the local governments, the Group may convert the eight Independent High Schools and/or preschools into profit-making entities. After the split-up of the Mixed High Schools into the Independent High Schools and the conversion of the Independent High Schools and the preschools into profit-making entities, the Group can enjoy the profit and assets of the Independent High Schools and for-profit preschools through liquidation or consolidation in other compliant way(s).

Impairment loss on goodwill related to KIS and CIS

The acquisitions of KIS and CIS are important milestones for the Company's sixth five-year plan from 2020/21 to 2024/25 academic year to expand its educational network internationally. When performing the acquisitions of KIS and CIS in 2020, the Board mainly took into consideration of, among other factors, that the acquisitions could strengthen the brand name of Maple Leaf by increasing the market share of schools and educational institutions run by Maple Leaf. The Group could extend the geographical coverage of its education services to Malaysia and Singapore and benefit from the synergy effects and sharing of resources among the schools under the brand of Maple Leaf on one part and the brands of KIS and CIS on the other part. The acquisitions would strengthen the Company's international operations and gradually diversify the revenue stream generated from outside PRC. For the year ended 31 August 2021, KIS and CIS contributed to over 50% of the total revenue of the Group.

At the time of acquisition of KIS in January 2020, the World Health Organisation (“WHO”) has not yet declared the novel coronavirus (Covid-19) outbreak a global pandemic. At the time of entering into of an agreement for the acquisition of CIS by the Group in June 2020, shortly after the announcement of a global pandemic by the WHO, the Board has taken into consideration of the impact of the pandemic on CIS in a short term. However, the Covid-19 outbreak resulted in the unprecedented lockdowns in certain countries, travel restrictions and continuous adjustment of entry and exit policies of various countries which affected the enrolment rate of overseas students, which was not foreseeable by the Board and beyond the control of the Company.

After the acquisitions of KIS and CIS in 2020, the Covid-19 outbreak in Malaysia and Singapore, where KIS and CIS are located respectively, and in the world became out of control. The Covid-19 virus continues to mutate and the supply and effectiveness of vaccines have not been able to meet the actual needs. The WHO has also warned that the global Covid-19 pandemic will not end in a short term until the vaccine inequality ends. After the acquisitions of KIS and CIS, the governments of Malaysia and Singapore have continued to implement various forms of travel restrictions and border blockades, leading to the fact that the student enrolment of KIS and CIS, which principally relies on international students, has not increased as originally planned. As a result, the Goodwill Impairment was recorded for the year ended 31 August 2021.

Use of proceeds from the issuance of the Convertible Bonds

As disclosed in the Annual Report, the net proceeds from the issuance of the Convertible Bonds, after deduction of underwriting commission and expenses, amounted to approximately US\$123.1 million. Up to 31 August 2021, the actual use of net proceeds from the issuance of the Convertible Bonds is set out below:

Intended use of proceeds	Amount of proceeds utilised <i>Approximately US\$' million</i>
Repayment of existing borrowings	119.0
General corporate purposes	4.1
Total	123.1

The net proceeds from the issuance of the Convertible Bonds were used according to the intentions previously disclosed by the Company.

Update on further development of the Implementation Regulations

The Company will continue to closely monitor the classification management regulations to be issued by the local governments in accordance with the Implementation Regulations and assess its impact on the Group and its contractual arrangements. The Company will make announcement(s) to provide update to the Shareholders and the potential investors if there is any further development on the Implementation Regulations to the extent relevant to the Group.

The supplemental information provided in this announcement does not affect other information contained in the Annual Report and, save as disclosed above, the content of the Annual Report remains unchanged.

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

Hong Kong, 17 January 2022

As at the date of this announcement, the Board comprises Mr. Shu Liang Sherman Jen, Ms. Jingxia Zhang and Mr. James William Beeke as Executive Directors; and Mr. Peter Humphrey Owen, Mr. Alan Shaver and Mr. Lap Tat Arthur Wong as Independent Non-executive Directors.

* *For identification purposes only*