中國楓葉教育集團有限公司*

China Maple Leaf Educational Systems Limited

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

2014
ANNUAL REPORT

* For identification purposes only

Contents

China Maple Leaf Educational Systems Limited
2014 Annual Report

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Shu Liang Sherman Jen *(Chairman of the Board)*
Mr. Zhenwan Liu
Ms. Jingxia Zhang
Mr. James William Beeke

Non-Executive Director

Mr. Howard Robert Balloch

Independent Non-Executive Directors

Mr. Peter Humphrey Owen
Mr. Chak Kei Jack Wong
Mr. Lap Tat Arthur Wong

AUDIT COMMITTEE

Mr. Lap Tat Arthur Wong *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Chak Kei Jack Wong

REMUNERATION COMMITTEE

Mr. Peter Humphrey Owen *(Chairman)*
Mr. Chak Kei Jack Wong
Mr. Howard Robert Balloch

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Shu Liang Sherman Jen *(Chairman)*
Mr. Peter Humphrey Owen
Mr. Chak Kei Jack Wong

COMPANY SECRETARY

Ms. Wai Ling Chan

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang
Ms. Wai Ling Chan

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom

As to PRC law
Tian Yuan Law Firm

As to Cayman Islands law
Maples and Calder

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

Maple Leaf Educational Park
6 Central Street
Jinshitan National Tourist Area
Dalian, Liaoning Province 116650
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1317

COMPANY WEBSITE

www.mapleleaf.cn

Financial Highlights

FINANCIAL HIGHLIGHTS

A summary of the audited results and of the assets and liabilities of the Group for the last four financial years is set out below:

	Year ended August 31,			
	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)	2014 (RMB'000)
Revenue	346,091	413,459	471,219	**540,269**
Cost of revenue	(189,687)	(222,342)	(268,751)	**(305,148)**
Gross profit	156,404	191,117	202,468	**235,121**
(Loss) profit before taxation	(30,655)	103,121	41,225	**48,436**
(Loss) profit for the year	(38,230)	93,968	33,182	**40,036**
Total comprehensive (expense) income for the year	(38,230)	94,090	33,378	**41,032**

	At August 31,			
	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)	2014 (RMB'000)
Non-current assets	1,080,098	1,160,871	1,402,329	**1,437,006**
Current assets	248,186	309,519	425,559	**570,699**
Current liabilities	1,000,341	1,014,100	1,263,199	**962,382**
Net current liabilities	(752,155)	(704,581)	(837,640)	**(391,683)**
Total assets less current liabilities	327,943	456,290	564,689	**1,045,323**
Total equity	290,071	384,233	417,642	**467,234**
Non-current liabilities	37,872	72,057	147,047	**578,089**
Total equity and non-current liabilities	327,943	456,290	564,689	**1,045,323**

Chairman's Statement

Dear Shareholders,

I would like to begin by extending my heartfelt gratitude to all our shareholders and general society for their support to China Maple Leaf Educational Systems Limited ("the Group"). On behalf of the Board of Directors, I am pleased to present the annual report of the Group for the year beginning on September 1, 2013 and ended August 31, 2014, which is also the Group's first annual report published after our listing on the Stock Exchange of Hong Kong on November 28, 2014.

Business Review

During the Reporting Period, a total of approximately 13,513 students were enrolled in our eight school districts, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos and Shanghai, an increase of 1,816 students or approximately 16% compared to the enrollment the financial year prior. Tuition fees and other revenues amounted to approximately RMB540,269,000, representing an increase of approximately RMB69,050,000 or 15% as compared to the prior financial year. New schools opened during the current academic year, namely Shanghai Maple Leaf International School (High School), Henan Maple Leaf International School (High School), Zhenjiang Maple Leaf International School (Middle School and Elementary School) and Wuhan Maple Leaf International School (Elementary School), operated smoothly.

Looking Forward to the Upcoming Financial Year

The Group views the upcoming financial year beginning on September 1, 2014 and ending on August 31, 2015 with great confidence in terms of development prospects. Operations proceeded smoothly for our Tianjin Huayuan Maple Leaf International School (Middle School and Elementary School), Pingdingshan Maple Leaf International School (Middle School, Elementary School and Preschool), Shanghai Maple Leaf International School (Middle School) and Chongqing Maple Leaf International School (Elementary School), which began operation on September 1, 2014, experiencing strong market demand. We anticipate healthy growth in student enrolments and revenues for the Group in the year ending August 31, 2015.

Future Prospects

The Company focuses on improving and combining Chinese and Western educational philosophies, as well as the realisation of its ideal quality education. Our two transformation goals, namely repositioning ourselves as a cultivator of elite talent from focusing on international talent, and expansive transformation from schools to school districts and from school districts to education parks, are both being actively pursued. A dual-focus strategic plan is being implemented, improving our educational and teaching quality and optimizing our system linkages as we begin operating services related to students' well-being such as uniform manufacturing, supermarkets, cultural shops and drinkable mineral water.

New school districts contracted for by the Group and pending commencement include: Yiwu Maple Leaf International School (High School, Middle School, Elementary School, Preschool and Foreign National School), which will open on September 1, 2015; Xi'an Maple Leaf International School (Middle School and Elementary School) and Zhejiang Pinghu Maple Leaf International School (Middle School, Elementary School and Preschool), which will open on September 1, 2016; and Xi'an Maple Leaf International

School (High School and Foreign National School) which will open on September 1, 2017. Based on our current plans for capacity expansion for each of the Group's school as well as the ongoing negotiations for cooperative operation in various cities, we expect that 18-20 new schools will be opened by the Group in the coming five years, increasing the number of schools owned by the Group to approximately 60 by the end of August 2020, with corresponding fast growth in student enrolment and revenue for the next five years.

Acknowledgements

Finally, on behalf of the Board, I would like to express my appreciation for our students' parents, the local governments for supporting our work, general society and, last but not least, our shareholders for their firm support for Maple Leaf Education. We vow to contribute to society with our ever better educational services and performance results.

Shu Liang Sherman Jen
China Maple Leaf Educational Systems Limited
Chairman and Executive Director

Dalian, PRC, November 18, 2014

Management Discussion and Analysis

BUSINESS REVIEW

We are the largest international high school operator and the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012 and 2012/2013 school years, according to the Frost & Sullivan Report. We operate all of our schools under our "Maple Leaf" brand and offer a bilingual K-12 education with competitive tuition fees.

The core component of our business is a dual-curriculum and dual-diploma high school education that is unique among the top 10 international school operators in China as measured by student enrollment at the end of the 2012/2013 school year. It enables graduates of our PRC and BC certified high schools to receive both a fully accredited BC high school diploma and a PRC high school diploma. We aspire to develop our students into well-rounded and academically excellent individuals that can function effectively in both Chinese and foreign environments.

Our Schools

We operate all of our schools under our "Maple Leaf" brand. An important element of our educational services is a bilingual learning environment. We design our classes according to the specific linguistic needs of the students at each grade level and build their English language skills as they progress from elementary school to middle school, with the aim of achieving English fluency by high school. In addition, as private schools, we have more flexibility in offering courses which are unavailable in public schools in response to popular student or parent demand. These courses, such as calligraphy, dance, debate and music, emphasize creativity, critical thinking and a deeper appreciation of traditional Chinese and Western cultures. We also offer students the opportunity to participate in a variety of after-school programs and club events, including sports and life skills building projects that supplement classroom teaching.

Other Services

We have put in place the following services to encourage and support the success of our students:

- *Summer and winter camps and tours*. We organize English immersion camps in Canada, Australia and the United States for students in grades nine and below. We also offer high school students university tours overseas during the summer and winter breaks.

- *Graduation consulting center*. We assist our high school students with their university and college applications and guide them through the admissions process for overseas post-secondary institutions. We also help our students with the immigration process for overseas studies, and provide services such as obtaining visas, scholarships and off-campus housing.

- *Orca Center*. We offer top students who aim to enroll in leading universities personalized college counseling services and help them obtain offers and financial aid from top universities. We also provide on-campus SAT training and test taker escorting services to our students who are interested in applying universities/ colleges in the United States.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Macroeconomic Conditions in China

We have benefited significantly from the growth of China's economy, favorable demographic trends and the demand for high quality K-12 private education in China. Over the past years, the Chinese economy has maintained a solid growth pace, and its GDP growth rate was 17.8%, 9.7% and 9.6%, in 2011, 2012 and 2013, respectively, and, according to the Frost & Sullivan Report, is expected to be 10.4%, 10.1% and 9.5%, in 2014, 2015 and 2016, respectively. The overall economic growth and the increase in the GDP per capita in China have led to a significant increase in spending on education in China. According to the Frost & Sullivan Report, per capita expenditure on education, culture and recreation items and services has been increasing at a steady pace from 2007 to 2013 at a CAGR of 8.6% and 7.8% for urban and rural households, respectively. Also, in 2013, the Chinese government announced that it will relax its "one-child policy" as a measure to stimulate birth rates by allowing families to have two children if one of the parents is an only-child. As China continues to integrate into the global economy and with the possible increase in population as a result of the relaxation of the "one-child policy", we anticipate that the demand for high-quality K-12 private education in China will continue to increase. However, any adverse changes in the economic conditions or regulatory environment in China may have a material adverse effect on the private education industry in China, which in turn may harm our business and results of operations.

Student Enrollment

Our revenue is primarily driven by tuition fees and other fees from students enrolled at the schools that we operate. Our total student enrollment increased from 10,509 as of the end of the 2011/2012 school year and to 11,697 as of the end of the 2012/2013 school year and to 13,513 as of the end of the 2013/2014 school year. According to the Frost & Sullivan Report, the total student enrollment in international schools (excluding schools for foreigners only) in China is expected to increase at a 2013-2017 CAGR of 14.8%.

Student enrollment is generally dependent on, among other things, the reputation of our schools, which is primarily driven by the quality of our curriculum and our teachers. We believe that our dual-curriculum (BC curriculum and PRC curriculum), bilingual form of education has enabled us to continuously increase the number of students enrolled in our schools, as more and more students in China have sought a pathway into universities and colleges overseas. In addition, the quality of our teachers, which directly affects the quality and reputation of our educational services, is an important factor in the success of our schools and our ability to increase student enrollment. Accordingly, we maintain stringent teacher selection and retention criteria and require rigorous training as well as ongoing monitoring and evaluation of our teachers.

Student enrollment is also affected by the number and capacity of the schools that we operate. As part of our strategy to expand our school network, we intend to continue to open new schools and campus facilities to further penetrate existing markets and enter new markets. Since 2008, we have successfully expanded our school network outside of Dalian, where we began our operations, to Wuhan, Tianjin, Chongqing, Zhenjiang, Ordos, Luoyang and Shanghai, which has been one of the key factors affecting student enrollment and our revenue. We also continued to expand the premises of our existing schools, such as our Wuhan and Tianjin campuses.

Student enrollment is also dependent on the tuition fees we charge. We believe that our relatively low tuition fees has been one of the key factors parents have considered when deciding to enroll children in our schools.

Tuition Fees

Our revenue is also affected by the price of tuition we charge. Tuition is generally paid in advance prior to the beginning of each school year. Tuition rates are primarily based on the demand for our educational programs, the cost of our services, the general economic conditions in the geographic areas in which we operate, the tuition fees charged by our competitors, and our pricing strategy to gain market share. In addition, under applicable PRC regulations, the type and amount of fees charged by a private school providing certifications must be approved by the governmental pricing authority. All of our applications to raise tuition fees in prior years have been approved by the governmental pricing authority, thus we do not expect these regulations to limit our ability to increase the tuition we charge in the future. However, there can be no assurance that the governmental pricing authority will approve future applications to raise our tuition in a timely manner or at all. We also have a refund policy for students who withdraw from our schools.

For the 2013/2014 school year, we charged tuition generally ranging between RMB42,400 and RMB71,500 per student per year in our high schools, including a boarding fee for boarding students, which was lower than the average tuition of international high schools in China, according to the Frost & Sullivan Report. Tuition rates at our preschools, elementary schools and middle schools are higher than those in the public school system. In the past, we kept our tuition rates relatively low in order to remain attractive to parents and students, and thereby increase our student enrollment and market share. When we raised our tuition rates during the fiscal years ended August 31, 2012, 2013 and 2014, we applied the increased rates only to new students that enrolled in our schools after the tuition increase was implemented. According to the Frost & Sullivan Report, our average annual tuition fees for the 2012/2013 school year were the lowest for elementary schools, middle schools and high schools out of the top five international schools in China as measured by student enrollment. However, we believe the tuition levels we charge are not so low as to negatively impact market perception of the "Maple Leaf" brand as a provider of quality education. In addition, we believe that our pricing strategy has enabled us to increase student enrollment and thus the utilization rate of our facilities. As part of our strategy to optimize our revenue structure, we plan to explore opportunities to increase our tuition fees in the future. We believe that an increase in tuition fees will not have a material adverse impact on our business or results of operations.

If we are able to increase our tuition while maintaining or continuing to increase our student enrollment, we may be able to improve our gross margin. However, tuition increases may have the effect of decreasing the total number of students enrolled in our schools.

Utilization of Our Facilities

In addition to student enrollment and tuition fees, the utilization rate of our schools' facilities is a key driver of revenue growth and gross margin. Utilization rate is calculated as the number of students divided by the capacity for a given school. Except for our preschools and Foreign Schools, all of our schools are boarding schools. For these boarding schools, the capacity for students is calculated based on the number of beds in their dormitories. For our Foreign Schools, the capacity for students is calculated based on the number of desks in their classrooms. For our preschools, the capacity for students is calculated based on the number of beds used for naps in the schools.

Independent of the level of student enrollment in any given year, we incur a significant amount of fixed costs relating to the operation of our business. If we are able to increase our utilization rate, we will be able to increase our revenue at a faster pace than our fixed costs, which in turn will improve our gross margin. For the fiscal years ended August 31, 2014, we had overall facility utilization rates of 55.7%, based on a maximum capacity of 22,490, in all of our schools. Utilization rates are generally higher at our more established facilities than they are at the facilities in our newly entered markets. For example, as of August 31, 2014, the utilization rate of our well-established high school in Wuhan was 92.8%, whereas the utilization rate for our high school in Shanghai was 11.3%, which we have been operating for a shorter period of time and is in a newly entered market. The utilization rate of schools in newly entered markets is typically lower because a period of time is needed for us to build brand recognition and market our bilingual educational programs in new geographic areas. Our overall utilization rate has decreased as a result of our entrance into the Zhenjiang, Ordos, Luoyang and Shanghai markets in recent years. Likewise, if we expand our campus facilities at the schools we presently operate, our overall utilization rate may decrease temporarily until we are able to enroll more students. Accordingly, a key driver of success is identifying the proper time to expand our capacity, whether by entering new markets or by constructing additional buildings at existing facilities, and, following such expansion, quickly increase student enrollment in the new facilities.

In recent years, we have built or acquired additional facilities when the existing utilization rate of a given school was high, as we did with the expansion of our facilities at Dalian Maple Leaf International School (High School) in 2009, or when we were entering a new geographical area, as we did through building a high school in Shanghai in September 2013. With regards to the schools we currently operate that have a low utilization rate, we aim to concentrate on increasing student enrollment and the utilization rate and not to seek to expand capacity at these schools in the short to medium term.

Teachers' Salaries

Our ability to maintain and increase profitability also depends on our ability to effectively control our costs and expenses. A significant component of our cost of revenue is compensation to our teachers, including PRC-certified, BC-certified and ESL teachers, and other teaching staff. We offer competitive remuneration to our teachers in order to attract and retain top teaching talent. Salaries and other allowances to our teachers and other teaching staff amounted to approximately 34.3% of our revenue for the fiscal years ended August 31, 2014, respectively. Our cost of sales as a percentage of our total revenue was 58.8% and 56.5% for the fiscal years ended August 31, 2013 and August 31, 2014, respectively. The decrease in cost of sales as a percentage of revenue from the fiscal year ended August 31, 2013 to the fiscal year ended August 31, 2014 was largely a result of the increase of revenue generated by other services. As we continue to expand our school network and the capacity of our schools, we will need to hire more teachers, which will result in an increase in cost of revenue. If we are unable to effectively manage this increase, or if the salaries of teachers increase at a rate faster than the increase in revenue, our profitability and results of operations will be adversely affected.

FINANCIAL REVIEW

Adjusted Net Profit

The following table reconciles our adjusted net profit for the years presented to net profit, the most directly comparable financial measure calculated and presented in accordance with IFRS.

	Year ended August 31,	
	2014 (RMB'000)	2013 (RMB'000)
Profit for the year	40,036	33,182
Add:		
Share-based payments	8,560	31
Change in fair value on redeemable convertible preferred shares	91,812	63,720
Loss on modification of redeemable convertible preferred shares	3,286	—
Change in fair value on warrants	3,695	8,410
Gain on cancellation of warrants	(42,510)	—
Adjusted net profit	104,879	105,343

Adjusted EBITDA

The following table reconciles our profit before income taxes and minority interests under IFRS to our Adjusted EBITDA for the years indicated.

	Year ended August 31,	
	2014 (RMB'000)	2013 (RMB'000)
Profit before taxation	48,436	41,225
Interest expense on bank borrowings and banking facilities	15,493	15,554
Depreciation and amortization	44,027	38,332
EBITDA	107,956	95,111
Add:		
Share-based payments	8,560	31
Change in fair value on redeemable convertible preferred shares	91,812	63,720
Loss on modification of redeemable convertible preferred shares	3,286	—
Change in fair value on warrants	3,695	8,410
Gain on cancellation of warrants	(42,510)	—
Adjusted EBITDA	172,799	167,272

Note: We use Adjusted EBITDA to provide additional information about our operating performance. We define Adjusted EBITDA as the sum of profit before taxation, interest expense on bank borrowings and banking facilities and depreciation and amortization (include depreciation of property, plant and equipment, depreciation of investment properties, amortization of books for lease and release of prepaid lease payments), and add share-based payment, change in fair value on redeemable convertible preferred shares and change in fair value on warrants and gain on cancellation of warrants. Adjusted EBITDA is not a measurement of financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as measures of liquidity. Adjusted EBITDA is provided in addition to net income because net income includes accounting items associated with interest expenses and depreciation and amortization (include depreciation of property, plant and equipment, depreciation of investment properties, amortization of books for lease and release of prepaid lease payments). These accounting items may vary between companies depending on the method of accounting adopted by each company. In addition, Adjusted EBITDA is not a standardized term, hence, a direct comparison between companies using such terms may not be possible. We have included Adjusted EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations.

Revenue

We derive revenue from tuition fees for our high schools, middle schools, elementary schools, preschools and foreign national schools and from other educational services. The table below summarizes, for the years indicated, the amount of revenue generated from tuition, other educational services and other sources.

	Year ended August 31, 2014 (RMB'000)	Year ended August 31, 2013 (RMB'000)
Tuition fees		
— High school	288,041	259,205
— Middle school	79,259	68,150
— Elementary school	59,779	37,851
— Foreign national school	14,877	14,376
— Preschool	24,792	26,380
Text books	23,344	17,954
Summer and winter camps	24,832	26,234
Other educational services	25,345	21,069
Total	540,269	471,219

Our revenue increased by 14.7% from RMB471.2 million for the financial year ended August 31, 2013 to RMB540.3 million for the financial year ended August 31, 2014. This increase was primarily the result of revenue from tuition fees increasing by 15.0% from RMB406.0 million for the financial year ended August 31, 2013 to RMB466.7 million for the financial year ended August 31, 2014, primarily due to an increase in student enrollment. Our student enrollment increased by 15.5% from approximately 11,697 as of the end of the 2012/2013 school year to approximately 13,513 as of the end of the 2013/2014 school year, primarily due to an increase in the number of students enrolled at our existing schools, and the opening of a new high school in Shanghai, which began operations for the 2013/2014 school year. Revenue from the sale and lease of textbooks increased by 29.4% from RMB18.0 million for the financial year ended August 31, 2013 to RMB23.3 million for the financial year ended August 31, 2014, which was primarily attributable to an increase in the number of students enrolled at our high school in Tianjin. Revenue from our summer and winter camps decreased by 5.3% from RMB26.2 million for the financial year ended August 31, 2013 to RMB24.8 million for the financial year ended August 31, 2014, primarily due to a decrease in the number of students participating in our winter camps.

Cost of Revenue

Our cost of revenue consists primarily of staff costs, depreciation and amortization, other training expenses and other costs. Staff costs consist of salaries and benefits paid to our teachers and other teaching staff. Depreciation and amortization relate to the depreciation of property, plant and equipment and the amortization of books for lease. Other training expenses relate to travel expenses and other expenses incurred in connection with our summer and winter camps. Other costs include our daily expenses of operating our schools and facilities, including the cost of furniture at our schools and the cost of maintaining our facilities. The following table sets forth the components of our cost of revenue:

	Year ended August 31,	
	2014 (RMB'000)	2013 (RMB'000)
Teaching staff costs	185,436	157,207
Depreciation and amortization	34,509	29,577
Other training expenses	25,120	25,757
Other costs	60,083	56,210
Total cost of sales	305,148	268,751

Cost of revenue increased by 13.5% from RMB268.8 million for the financial year ended August 31, 2013 to RMB305.1 million for the financial year ended August 31, 2014. This increase was primarily the result of an increase in staff costs by 17.9% from RMB157.2 million for the financial year ended August 31, 2013 to RMB185.4 million for the financial year ended August 31, 2014. In particular, the number of teachers increased by 23.6% from approximately 1,036 as of August 31, 2013 to approximately 1,272 as of August 31, 2014. Depreciation and amortization increased by 16.6% from RMB29.6 million for the financial year ended August 31, 2013 to RMB34.5 million for the financial year ended August 31, 2014 as a result of an increase in fixed assets as we completed the construction of certain schools and facilities during the year. Other training expenses remained stable from RMB25.8 million for the financial year ended August 31, 2013 to RMB25.1 million for the financial year ended August 31, 2014. Other costs increased by 6.9% from RMB56.2 million for the financial year ended August 31, 2013 to RMB60.1 million for the financial year ended August 31, 2014 as we made upgrades to various premises and facilities at our existing schools.

Gross Profit

As a result of the foregoing, gross profit increased by 16.1% from RMB202.5 million for the financial year ended August 31, 2013 to RMB235.1 million for the financial year ended August 31, 2014. Our gross margin remained stable from 43.0% for the financial year ended August 31, 2013 to 43.5% for the financial year ended August 31, 2014.

Investment and Other Income

Investment and other income consists of interest income from our bank deposits, dividend income from available-for-sale investments and rental income and expenses in connection with certain office space that we lease to third parties. Investment and other income increased by 16.3% from RMB4.9 million for the financial year ended August 31, 2013 to RMB5.7 million for the financial year ended August 31, 2014. The increase was primarily attributable to interest income generated from certain financial products we purchased during the year.

Other Income, Gains and Losses

Other income, gains and losses consist primarily of gains and losses recognized upon the disposal of available-for-sale investments, gains and losses recognized upon the disposal of property, plant and equipment, including computers, and foreign exchange gains. Other income, gains and losses decreased from a gain of RMB101,000 for the financial year ended August 31, 2013 to a loss of RMB246,000 for the financial year ended August 31, 2014. The decrease was primarily due to the fact that we recognized one-off gains attributable to the disposition of property, plant and equipment and to foreign exchange transactions for the financial year ended August 31, 2013 and we incurred losses from foreign exchange transactions for the financial year ended August 31, 2014.

Marketing Expenses

The majority of marketing expenses is comprised of commercials, and expenses for producing, printing and distributing advertising and promotional materials. Marketing expenses also include salaries and benefits for personnel engaged in selling and marketing activities. Our marketing expenses increased slightly by 3.8% from RMB20.9 million for the financial year ended August 31, 2013 to RMB21.7 million for the financial year ended August 31, 2014.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, employee share options and certain professional expenses. We expect our general and administrative expenses to increase as we intend to hire additional general and administrative personnel to support the growth of our business. Our administrative expenses increased by 32.8% from RMB56.1 million for the financial year ended August 31, 2013 to RMB74.5 million for the financial year ended August 31, 2014, primarily because we incurred additional costs for issuing new share options to our employees.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and banking facilities. Finance costs remained stable from RMB15.6 million for the financial year ended August 31, 2013 to RMB15.5 million for the financial year ended August 31, 2014, reflecting the interest expense on our bank borrowings and banking facilities.

Other Expenses

Other expenses consist primarily of operating expenses and depreciation incurred in connection with certain properties that we lease to third parties. Other expenses increased from RMB1.5 million for the financial year ended August 31, 2013 to RMB24.1 million for the financial year ended August 31, 2014. The increase was primarily attributable to expenses related to the Global Offering incurred during the financial year ended August 31, 2014.

Change in Fair Value on Redeemable Convertible Preferred Shares

Change in fair value on redeemable convertible preferred shares relates to the changes in fair value of the Preferred Shares calculated using the option-pricing method. The key parameters adopted for the valuation of the Preferred Shares include the estimated probability of the Preferred Shares, the risk-free rate, time to expiration, the dividend yield and volatility. Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares increased by 44.1% from RMB63.7 million for the financial year ended August 31, 2013 to RMB91.8 million for the financial year ended August 31, 2014 due to the increase in fair value of the Preferred Shares, which was primarily attributable to the increase in the fair value of the Company.

Loss on Modification of Redeemable Convertible Preferred Shares

In June 2014, we entered into a supplement agreement with the holders of the redeemable convertible preferred shares, under which the Series A Preferred Shares would not be redeemed until December 31, 2015, which affected the fair value of the Preferred Shares. We recognized a RMB3.3 million loss on the modification of redeemable convertible preferred shares.

Conversion of the Redeemable Convertible Preferred Shares

All the redeemable convertible preferred shares were converted into our ordinary shares upon Listing on November 28, 2014.

Change in Fair Value on Warrants/Gain on Cancellation of Warrants

Change in fair value on warrants relates to the change in fair value of the Series A Warrant. The fair value of the Series A Warrant was determined at the relevant dates using the Black-Scholes option pricing model. The key parameters adopted for the valuation of the Series A Warrant include estimates on risk free rate, other comparable public companies share price volatility and others. We recognized a loss of RMB3.7 million in our consolidated statements of comprehensive income from change in fair value on warrants for the financial year ended August 31, 2014, compared to a loss of RMB8.4 million for the financial year ended August 31, 2013, which was primarily attributable to the increase in the fair value of the Company. We recognized a one-time gain on cancellation of warrants in the amount of RMB42.5 million in our consolidated statements of comprehensive income from the termination of the Series A warrant on January 15, 2014.

Profit before Taxation

As a result of the foregoing, we recognized a profit of RMB41.2 million before taxation for the financial year ended August 31, 2013, compared to a profit of RMB48.4 million before taxation for the financial year ended August 31, 2014. Our profit before taxation as a percentage of revenue was 9.0% for the financial year ended August 31, 2014.

Taxation

Our effective tax rate for the financial years ended August 31, 2013 and 2014 was 19.5% and 17.3%, respectively. The fluctuations of our effective tax rates during the years were primarily the result of changes in the fair value on Preferred Shares and changes in the fair value on warrants. Our income tax expense remained stable from RMB8.0 million for the financial year ended August 31, 2013 to RMB8.4 million for the financial year ended August 31 ,2014.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB33.2 million for the financial year ended August 31, 2013, as compared to a profit of RMB40.0 million for the year financial year ended August 31, 2014.

NET CURRENT ASSETS AND LIABILITIES

Our net current liabilities decreased significantly from RMB837.6 million as of August 31, 2013 to RMB391.7 million as of August 31, 2014, primarily because we entered into a supplement agreement with the holders of the redeemable convertible preferred shares, under which the Series A Preferred Shares would not be redeemed until December 31, 2015. We recognized net current liabilities as of August 31, 2014 primarily due to amounts recognized as deferred revenue, amounts recognized as other payables and bank borrowings and amounts recognized as redeemable convertible preferred shares. We recognize deferred revenue from tuition fees, textbook fees, among other things, received prior to the beginning of the relevant school year. Tuition fees and textbook rental income from all of our schools except our preschools are generally paid in advance prior to the beginning of each school year and are initially recorded as deferred revenue. We record payment of tuition fees initially as a liability under deferred revenue and recognize such amounts received as revenue proportionately over the relevant period in which students attend the applicable program. We recognize textbook rental income as a liability until the end of the relevant school year. Other payables and accrued expenses consist primarily of payables for purchase of property, plant and equipment in connection with our expansion and maintenance of our schools, deposits from students for the textbooks rented and miscellaneous expenses received from students, which primarily include expenses for purchasing laptop computers and school uniforms, registration fees required under the BC Global Education Program and expenses related to other on-campus activities. Our Directors confirm that we did not have any material defaults in other payables for the financial year ended August 31, 2014. Bank borrowings represent primarily short-term loans used in connection with our business expansion. Our current liabilities also include amounts due to related parties, which represent shareholder loans from our Founder and our Founder's Sisters. We settled all amounts due to our related parties prior to the listing of our Shares on the Hong Kong Stock Exchange (the "**Listing**").

CAPITAL EXPENDITURES

Our capital expenditures consist primarily of maintaining, renovating and upgrading existing school premises, building additional premises for our existing schools, and purchasing educational equipment and facilities for our new schools. Our cash flows of capital expenditures for the financial years ended August 31, 2013 and 2014 were RMB239.7 million and RMB113.7 million, respectively. Our capital expenditures for the financial year ended August 31, 2014 were primarily related to constructing and upgrading the school premises on our Tianjin, Wuhan and Zhenjiang campuses and purchasing electronic equipment.

INDEBTEDNESS

Our total outstanding bank borrowings decreased from RMB275.0 million as of August 31, 2013 to RMB223.5 million as of August 31, 2014. As of August 31, 2014, we had RMB86.5 million unutilized banking facilities and has the right to request the renewal of an aggregate of RMB100 million banking facilities.

The following table sets forth our borrowings, redeemable convertible preferred shares and warrants as of the dates indicated:

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Bank borrowings:		
— Secured	88,500	145,000
— Unsecured	135,000	130,000
	223,500	275,000
Carrying amounts repayable		
— Within one year	223,500	215,000
— More than one year, but not exceeding two years	—	60,000
	223,500	275,000
Redeemable convertible preferred shares	476,518	381,420
Warrants	—	38,815

CONTINGENT LIABILITIES

As at August 31, 2014, the Group had no material contingent liabilities.

LIQUIDITY AND CAPITAL RESOURCES

We historically have financed our operations primarily through cash generated from our operations, short term and long term bank loans, loans and advances from shareholders and related parties and capital contributions from shareholders.

In the year ended August 31, 2014, the Group's net cash inflow from operating activities was RMB313.3 million.

In the year ended August 31, 2014, the Group's net cash outflow from investing activities was RMB265.3 million, which was primarily due to purchase of available-for-sale investments and payments for property, plant and equipment during the year.

In the year ended August 31, 2014, the Group's net cash outflow from financing activities was RMB76.9 million, which was primarily due to repayment of bank borrowings of RMB216.5 million and proceeds from bank borrowings of RMB165 million during the year.

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

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Net cash from operating activities	**313,253**	250,274
Net cash used in investing activities	**(265,317)**	(227,201)
Net cash (used in) from financing activities	**(76,941)**	89,346
Net (decrease) increase in cash and cash equivalents	**(29,005)**	112,419
Cash and cash equivalents at September 1	**409,303**	297,036
Effect of foreign exchange rate changes	**34**	(152)
Cash and cash equivalents at August 31, represented by bank balances and cash	**380,332**	409,303

KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios as of the respective dates:

	As at August 31,	
	2014	2013
Current ratio	**0.59**	0.34
Gearing ratio	**47.8%**	65.8%

As of August 31, 2013 and August 31, 2014, our current ratio, which is calculated as current assets divided by current liabilities as of the end of the respective year, is 0.34 and 0.59, respectively. The increase in current ratio reflects the increase in our current assets outpacing the rate of growth of our current liabilities.

As of August 31, 2013 and August 31, 2014, our gearing ratio, which is calculated as total borrowings divided by total equity as of the end of the respective year, was approximately 65.8% and 47.8%, respectively. The decrease in our gearing ratio was primarily due to the decrease in our total borrowings as a result of repayment of loans and increase in our equity.

MARKET RISKS

Foreign Exchange Risk

Substantially all of our revenue and expenses are denominated in Renminbi. Neither had the Group had any foreign currency net investment. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risk should be limited, the value of your investment in our Shares will be affected by the exchange rate between the Hong Kong dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while the Shares will be traded in Hong Kong dollars.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, was based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2% on that date. On September 23, 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On April 16, 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 0.5% to 1% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. On March 15, 2014, the PBOC further enlarged the floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 1% to 2%, effective from March 17, 2014. However, it remains difficult to predict how this new policy may impact the Renminbi exchange rate. To the extent that we need to convert Hong Kong dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert the Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amounts available to us.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest rates for our outstanding debt and the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. As of August 31, 2014, we had RMB223.5 million of short-term loans due within one year outstanding. All of our loans are subject to a fixed interest rate, varying from 6.0% to 6.9%. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectation due to changes in market interest rates.

Inflation Risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the consumer price index in China increased by 5.4% in 2011, increased by 2.6% in 2012 and increased by 2.6% in 2013. Although we have not, in the past, been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

CODE ON CORPORATE GOVERNANCE PRACTICES

As our Company was not yet listed on the Hong Kong Stock Exchange during the financial year ended August 31, 2014, the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Hong Kong Listing Rules was not applicable to our Company during such period under review. After the Listing, we have complied with all the code provisions set forth in the Corporate Governance Code, save that Mr. Sherman Jen performs the dual roles of both chairman and Co-CEO. Our Board believes that by vesting the roles of both chairman and Co-CEO in Mr. Sherman Jen, along with the other Co-CEO, Mr. Zhenwan Liu, 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. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

REVIEW OF OUR CONSOLIDATED FINANCIAL INFORMATION

We have established an audit committee upon Listing in compliance with the Corporate Governance Code. Members of the audit committee have discussed with the management of our Company and reviewed the consolidated financial information of our Company for the financial year ended August 31, 2014 set out in this appendix. The consolidated financial information of our Company has been agreed with our reporting accountants.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

During the period from the Listing Date up to the date of this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the Reporting Period.

EVENTS AFTER BALANCE SHEET DATE

The following major events occurred after the balance sheet date:

1. The Shares of the Company were listed on the Main Board of the Stock Exchange on November 28, 2014.

2. The net proceeds from the Listing, after deducting underwriting fees for the listing of the Company amounted to approximately HK$928.3 million, which sum is intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Directors and Senior Management

OUR DIRECTORS

The following table presents certain information in respect of the members of our Board.

Members of our Board

Name	Age	Position/Title	Date of Appointment
Shu Liang Sherman Jen	60	Executive Director, Chairman of the Board and Co-CEO	June 2007
Zhenwan Liu	58	Executive Director, Vice Chairman of the Board, President and Co-CEO	June 2014[1]
Jingxia Zhang	57	Executive Director, Senior Vice President and Co-CFO	March 2008
James William Beeke	64	Executive Director, Vice President and BC program Superintendent	April 2014[2]
Howard Robert Balloch	63	Non-Executive Director	March 2008
Peter Humphrey Owen	67	Independent non-executive Director	June 2014[1]
Chak Kei Jack Wong	42	Independent non-executive Director	June 2014[1]
Lap Tat Arthur Wong	54	Independent non-executive Director	June 2014[1]

Notes:

(1) Effective from the Listing Date.

(2) Mr. James William Beeke previously worked for the Group from 2005 to 2009, he was appointed as Director from March 12, 2008 to January 20, 2010, and reappointed on April 25, 2014.

The biography of each Director is set out below:

Executive Directors

Shu Liang Sherman Jen **("Mr. Jen")**, aged 60, is our Controlling Shareholder and Founder. Mr. Jen was appointed executive Director, chairman of the nomination and corporate governance committee of our Company in June and November 2014 respectively, and is primarily responsible for the overall business and strategy of our Group, including the introduction of the dual diploma school model. He has been the chairman of the Board of Directors, chief executive officer of our Company since 2007, and co-chief executive officer ("**Co-CEO**") since March 2014. He is also the president of Dalian Maple Leaf International School since 1995, the chairman of Dalian Maple Leaf Educational Group Ltd. since 2003, and the director of Maple Leaf Educational Systems Limited since 1992, Tech Global Investment Ltd. since 2007, Hong Kong Maple Leaf Educational Systems Limited since 2009 and Beipeng Software since 2011. His contributions has lead us to become one of the leading international school service providers in China.

Mr. Jen has more than 19 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; and 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 China. Mr. Jen has not held any directorship roles in any listed companies in the last three years. Mr. Jen is not a resident of Canada for Canadian taxation purposes.

Mr. Jen received his Bachelor of Arts degree in English Language and Arts from Beijing Foreign Languages University, PRC in May 1978, his Master of Business Administration by distance learning from the University of Wales, New Port, 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.

Zhenwan Liu **("Mr. Liu")**, aged 58, was appointed as an executive Director and the vice chairman of the Board of Directors of our Company in June 2014, taking effect on the Listing Date. Mr. Liu has been the President and the Co-CEO of our Company since March 10, 2014, and is primarily responsible for the general operation, strategic planning and business direction of our Company.

Prior to joining the Company, Mr. Liu worked as a teacher, youth league secretary and head of the ethics education and research office at Dalian Polytechnic University from December 1981 to December 1990, where he was responsible for lecturing and managing student activities. He was the deputy director of the member education office of the publicity department of Dalian Municipal Party Committee and the director of planning and research division of Dalian Municipal Spiritual Civilization Office, between December 1990 to August 1996, and later, the deputy director of Dalian Municipal Spiritual Civilization Office, between August 1996 to April 1998. He subsequently served as the deputy head of Dalian Culture Bureau between April 1998 to November 1999, where he was responsible for the planning and coordination of the cultural affairs. He was the deputy head and deputy Party secretary of Dalian Tourist Administration between November 1999 to June 2000. From June 2000 to December 2006, he was the head and party secretary of Dalian Tourist Administration, responsible for the strategic planning and development of local tourism. He served as deputy secretary general, office head and party secretary at the municipal government office of Dalian from December 2006 to April 2010, and was responsible for the organization, coordination and management of the daily affairs of the municipal government. From April 2010 to February 2014, he served as the secretary of the party committee and the chairman of the University Council at Dalian University of Foreign Languages where he was responsible for implementing educational policies, managing educational research and cultivating professional personnel. Mr. Liu has not held any directorship roles in any listed companies in the last three years.

Mr. Liu received a Bachelor's degree in Mathematics from Dalian Polytechnic University in January 1982, a Bachelor's degree in Political Education from Liaoning Normal University in July 1987 and a Master of Business Administration from Dalian University of Technology in April 1997. Mr. Liu was awarded professorship title by Dalian University of Foreign Languages in September 2010.

***Jingxia Zhang* (“Ms. Zhang”)**, aged 57, is the senior vice president and co-chief financial officer (“**Co-CFO**”) of our Company and was appointed executive Director in June 2014. Ms. Zhang joined the Company on April 10, 1995 and is primarily responsible for the overall management, financial operations and human resources of our schools. Ms. Zhang is one of the key members of the management team of our Company and has made important contributions to our Group.

Prior to joining us, 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 listed companies in the last three years.

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

***James William Beeke* (“Mr. Beeke”)**, aged 64, is our Director, vice president and BC program Superintendent. He was appointed Director in April 2014 and executive Director in June 2014. Mr. Beeke previously served as the Vice Chairman of the Board of Directors and the Superintendent of the BC Programs of our Company from 2005 to 2009. Mr. Beeke is primarily responsible for overseeing the operation of the BC Program and our schools.

Prior to joining our Group, Mr. Beeke was employed by the British Columbia provincial government as deputy inspector, and later, inspector for the Ministry of Education of the BC provincial government between 1996 to 1998 and between 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 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 PRC in 2006.

Non-executive Director

Howard Robert Balloch **("Mr. Balloch")**, aged 63, was appointed non-executive Director and a member of the remuneration committee of our Company in June and November 2014 respectively and is responsible for supervising the overall management and strategic planning of our Group. Mr. Balloch has been our Director since March 12, 2008.

Mr. Balloch is a veteran Canadian diplomat. Prior to joining our Group, he served as Canadian Ambassador to the PRC and Mongolia from April 1996 to July 2001, and to the Democratic People's Republic of Korea from March 2000 to July 2001. Subsequently, he served as the president and chief executive officer of the Canada China Business Council, a private, non-profit business association that facilitates and promotes trade and investment between Canada and China, from 2001 to 2006, and is currently its vice chairman. Mr. Balloch has also served as the director of several companies outside the Group. He has been a director of Ivanhoe Energy Inc. since January 2002, a company listed on both the Toronto Stock Exchange ("**TSE**") (stock code: IE) and NASDAQ (stock code: IVAN), which is engaged in the oil development and production business, primarily in Canada, the United States, Ecuador and Mongolia. Mr. Balloch has also been a director of Methanex Corp. since December 2004, a company listed on both the TSE (stock code: MX) and NASDAQ (stock code: MEOH), which is engaged in the supply, distribution and marketing of methanol to major international markets. He was a director of Ivanhoe Mines Ltd. from March 2005 to May 2011, a company now controlled by Rio Tinto Inc. and operating as Turquoise Hill Resources Ltd listed on the New York Stock Exchange ("**NYSE**") and TSE (stock code: TRQ), which was engaged in mineral exploration and development and headquartered in Vancouver, Canada. Mr. Balloch founded and served as chairman of the board of The Balloch Group from 2001 to 2011, a boutique investment bank that advised domestic and multinational corporations in China and a member of Canaccord Genuity Group Inc.. From 2011 to 2013, he served as chairman of Canaccord Genuity Asia, the Asian subsidiary of Canaccord Genuity Group Inc., a Canadian company listed on both the TSE (stock code: CF) and the London Stock Exchange (stock code: CF), which provides banking and financial services to individual, institutional and corporate clients worldwide.

Mr. Balloch received a Bachelor of Arts degree and a Master of Arts degree from McGill University, Canada in June 1973 and June 1974, respectively.

Independent non-executive Directors

Peter Humphrey Owen **("Mr. Owen")**, aged 67, was appointed as an independent non-executive Director of our Company in June 2014, chairman of our remuneration committee and a member of our audit committee and nomination and corporate governance committee, all taking effect on the Listing Date. Mr. Owen is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Owen served as the vice chair of the Workers Compensation Review Board of British Columbia 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 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.

Chak Kei Jack Wong **("Mr. Wong")**, aged 42, was appointed as an independent non-executive Director of our Company in June 2014, a member of our audit committee, remuneration committee and nomination and corporate governance committee, all taking effect on the Listing Date. Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Wong was managing director and Head of Structuring of the Investment Banking Department of Barclays Capital Asia (including Japan). He was responsible for client risk advisory and risk management solutions across all asset classes. Prior to that, Mr. Wong was a managing director and trader in UBS London and Hong Kong, co-heading the APAC structured products groups which trades and designs products including all asset classes and hybrids. He also spent a number of years in London in Goldman Sachs as executive director, working as a strategist/quant and trader for rate, FX and inflation. Prior to that, he was a quantitative analyst in credit derivative and emerging market in Morgan Stanley, London. Currently, Mr. Wong serves as a managing director at Société Générale.

Mr. Wong studied in The Chinese University of Hong Kong and University of California at Berkeley. His major was Electrical Engineering with minors in Pure Mathematics and French. He obtained his DPhil and Mphil degrees in Economics from the University of Oxford. He was a Rhodes Scholar of Hong Kong for 1995.

Lap Tat Arthur Wong **("Mr. Wong")**, aged 54, was appointed as an independent non-executive Director of our Company in June 2014 and the chairman of our audit committee, both taking effect on the Listing Date. Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, from 1982 to 2008, Mr. Wong held various positions in Deloitte Touche Tohmatsu ("**Deloitte**") in Hong Kong, San Jose and Beijing, with the latest position as a partner in the Beijing office. He subsequently served as the chief financial officer 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, since January 2013.

Mr. Wong previously served as an independent non-executive director at Besunyen Holdings Co Ltd., a herbal tea processing and marketing company listed on the Stock Exchange (00926) from July 2010 to April 2014. He currently serves as an independent non-executive director and the chairperson of the audit committee of the following listed companies: VisionChina Media, Inc., an out-of-home advertising network company listed on NASDAQ (VISN) since December 2011; China Automotive Systems, Inc., an automotive systems and components manufacturer listed on NASDAQ (CAAS) since May 2012; Daqo New Energy Corp., a polysilicon manufacturer listed on NYSE (DQ) since December 2012; Petro-king Oilfield Services Ltd., a consultancy and oilfield project services company listed on the Stock Exchange (02178) since February 2013; and YOU On Demand Holdings, Inc., a media company listed on NASDAQ (YOD) since January 2014.

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.

OUR SENIOR MANAGEMENT

The following table presents certain information concerning the senior management personnel of the Group.

Name	Age	Position
Shu Liang Sherman Jen	60	Co-CEO
Zhenwan Liu	58	President and Co-CEO
Jingxia Zhang	57	Senior Vice President and Co-CFO
James William Beeke	64	Vice President and BC program Superintendent
Bin Xu	31	Vice President and Co-CFO
Linsheng Chen	55	Vice President and the Chinese Program Superintendent
Xiaoduo Zhang	31	Director of the Marketing Department

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

***Bin Xu* (“Mr. Xu”)**, aged 31, has been the vice president and Co-CFO of our Company since February 16, 2013. Mr. Xu is primarily responsible for managing the financial operations of our Company.

Prior to joining our Group, Mr. Xu was an accountant at the Citco Financial Group, an international financial services provider, from 2007 to 2010, and an investment banking associate at the Essence Securities Co., Ltd., a financial and securities brokerage services provider based in China, from 2011 to 2013. Mr. Xu has not held any directorship roles in any listed companies in the last three years.

Mr. Xu is an alumnus of Dalian Maple Leaf International School. He received a Bachelor's degree in Economics and Finance from the University of Toronto, Canada in November 2007 and a Master's degree in Finance from the University of Cambridge, United Kingdom in May 2012.

***Linsheng Chen* (“Mr. Chen”)**, aged 55, has been the vice president and Chinese program Superintendent of our Company since September 2012 and is primarily responsible for management of the Chinese curriculum and evaluation of our schools. Mr. Chen has been supervising the content and quality of the Chinese curriculum and conducting periodic reviews of the operation of our schools.

Mr. Chen served as the head of the educational affairs department of Dalian Maple Leaf High School from August 2000 to April 2006, where he was responsible for managing the Chinese curriculum. He later served as the Chinese program Superintendent of Shenyang Maple Leaf International School from May 2006 to March 2007, where he was responsible for managing the Chinese curriculum. He was also the headmaster of Wuhan Maple Leaf International School from April 2007 to August 2012, where he was responsible for the overall operation of the school. Mr. Chen has not held any directorship roles in any listed companies in the last three years.

Mr. Chen received a Bachelor's degree in Chinese from Hunan Normal University in Hunan, China in December 1981.

***Xiaoduo Zhang* (“Ms. Zhang”)**, aged 31, has been the director of the Marketing Department of the Company since November 2013, and is primarily responsible for the overall marketing strategic planning, business development and student recruitment of our Company.

Ms. Zhang previously served as the assistant to the BC program Superintendent, as head of the external affairs department of the Company from August 2010 to March 2012, and head of the chief executive officer's office of the Company from August 2010 to November 2013. Ms. Zhang has not held any directorship roles in any listed companies in the last three years.

Ms. Zhang received a Bachelor of Arts degree and a Bachelor of Science degree from the University of British Columbia, Canada in May 2008.

OUR COMPANY SECRETARY

***Wai Ling Chan* (“Ms. Chan”)**, aged 47, was appointed as our company secretary on May 14, 2014. She is responsible for corporate secretarial duties and corporate governance matters in relation to the Company. She is a senior manager of Corporate Services of Tricor Services Limited, and has more than 18 years of experience in the corporate secretarial field. Prior to joining Tricor Group in 2003, she was a manager of corporate services with PricewaterhouseCoopers in Hong Kong. Ms. Chan holds an Honours Bachelor's degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London. She is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries (“**HKICS**”) and The Institute of Chartered Secretaries and Administrators (“**ICSA**”) in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS.

Report of the Directors

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended August 31, 2014.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on June 5, 2007 as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange on November 28, 2014.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company and the Group are the largest international high school operator and the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012, 2012/2013 and 2013/2014 school years, according to the Frost & Sullivan Report. We operate all of our schools under our "Maple Leaf" brand and offer a bilingual K-12 education with competitive tuition fees. The core component of our business is a dual-curriculum and dual-diploma high school education that is unique among the top 10 international school operators in China as measured by student enrollment at the end of the 2013/2014 school year. A list of the Company's subsidiaries, together with their places of incorporation and principal activities, is set out in note 37 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended August 31, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this Annual Report. The financial highlights for the Group for the most recent four years are set out on page 4 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

The prospectus included a valuation of the fair value of the Group's properties held for owner occupation and investment properties by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent valuer. The fair value of the properties held by the Group for owner occupation at August 31, 2014 was RMB113,000,000. The book value of the properties held by the Group for owner occupation at August 31, 2014 as included in the financial statements in this annual report was RMB359,204,000.

INVESTMENT PROPERTIES

The fair value of the investment properties at August 31, 2014 was RMB55,000,000. The book value of the investment properties held by the Group as at August 31, 2014 as included in the financial statements in this annual report was RMB17,850,000.

Details of investment properties as at the end of the Reporting Period are set out in note 16 to the financial statements. There is no property held for investment for which the percentage ratios (as defined under rule 14.04(9) of the Listing Rules) exceed 5% as at August 31, 2014.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company during the year ended August 31, 2014 are set out in note 36 to the financial statements. The distributable reserves of the Company at August 31, 2014 were nil.

DIVIDENDS

The Board does not recommend the payment of a final dividend to the Shareholders for the year ended August 31, 2014 (year ended August 31, 2013: nil).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as of August 31, 2014 are set out in note 24 to the consolidated financial statements on page 108 of this annual report.

SIGNIFICANT INVESTMENTS HELD

The Company held available-for-sale investments during the year ended August 31, 2014, and has disposed of all of it before the Listing Date. Details of available-for-sale investments of the Company as at August 31, 2014 are set out in note 18 to the financial statements.

DIRECTORS

Directors as at August 31, 2014

Executive Directors:

Mr. Shu Liang Sherman Jen (Chairman and Co-Chief Executive Officer)

Mr. Zhenwan Liu# (Vice Chairman, President and Co-Chief Executive Officer)

Ms. Jingxia Zhang (Senior Vice President and Co-Chief Financial Officer)

Mr. James William Beeke (Vice President and BC program Superintendent)

Non-Executive Directors:

Mr. Howard Robert Balloch (Member of Remuneration Committee)

Mr. Yue Ji*

Independent Non-Executive Directors:

Mr. Peter Humphrey Owen# (Chairman of Remuneration Committee, Member of Audit Committee and Member of Nomination and Corporate Governance Committee)

Mr. Chak Kei Jack Wong# (Member of Audit Committee, Member of Remuneration Committee and Member of Nomination and Corporate Governance Committee)

Mr. Lap Tat Arthur Wong# (Chairman of Audit Committee)

* Mr. Ji ceased to be a Director on November 28, 2014.

\# Such appointments were effective on the Listing Date.

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 for an initial term of three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is earlier). The Company has the right to give written notice to terminate the agreement.

Each of our non-executive Director and independent non-executive Directors has signed a letter of appointment with our Company. The term of office of our non-executive Director and independent non-executive Directors is three years, except Mr. Lap Tat Arthur Wong whose terms of office is two years, with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is earlier).

None of the Directors proposed for re-election at the forthcoming annual general meeting 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 remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended August 31, 2014 are set out in note 11 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 of pay bonuses to executives. These increases or bonuses could result in the incurrence of compensation expense at levels that are significantly higher than those incurred by the Group in prior periods. 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 35 to the financial statements headed "Related Party Transactions and Balances" and the section headed "Continuing Connected Transactions" of this Report below, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ending August 31, 2014.

During the year ending August 31, 2014, neither our Controlling Shareholders 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 during the year ended August 31, 2014.

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

We have entered into a number of continuing agreements and arrangements 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 continuing connected transactions for our Group.

Contractual Arrangements

PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in China. Furthermore, although PRC laws and regulations allow foreign investment in foreign national schools, preschools 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 Requirements"). The Contractual Arrangements set out below 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.

The Contractual Arrangements that were in place as at August 31, 2014 are as follows:

(i) an exclusive management consultancy and business cooperation agreement dated May 11, 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 (a list of which was attached thereto), and the 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;

(ii) an exclusive management consultancy and business cooperation agreement dated May 11, 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 August 22, 2014 and entered into by and among Beipeng Software, Dalian Foreign 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 May 11, 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 May 11, 2014 and entered into by and among our Company, Dalian Science and Education 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 Science and Education for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;

(vi) an exclusive call option agreement dated August 22, 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 agreements dated May 11, 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 May 26, 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 May 26, 2014 and entered into by and among Beipeng Software, Dalian Science and Education and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Science and Education to Beipeng Software to guarantee the performance of the obligations of Dalian Science and Education 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 May 11, 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 Science and Education; and

(xi) a power of attorney executed by the Founder dated May 11, 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.

Apart from the above, there are no new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC Operational Entities during the financial year ended August 31, 2014.

Updates in Relation to the Qualification Requirements

The foreign investor in a Sino-foreign joint venture school for PRC students at the preschool or high school level must be a foreign educational institution with relevant qualification and experience at the same level and in the same category of education (the "**Qualification Requirement**"). The foreign portion of the total investment in a sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial level. Please refer to the section headed "**Contractual Arrangements**" for our efforts and actions undertaken to comply with the Qualification Requirement. There has been no updates since the publication of the prospectus. Our PRC Legal Counsel, Tianyuan Law Firm has advised us there have not been changes in the relevant regulatory developments and guidance relating to the Qualification Requirement.

Waiver from the Stock Exchange and Annual Review

As the Founder is our controlling shareholder and our chairman of the Board and 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 wholly owned 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 Science and Education 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. Wuhan Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and a connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules. Dalian Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and a connected person pursuant to Rules14A.12(1)(c) and 14A.07(4) of the Listing Rules, the Contractual Arrangements constitute connected transactions under the Listing Rules.

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 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 Contractual Arrangements and (iii) the requirement of limiting the term of the 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 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 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 obtains a separate waiver from the Stock Exchange.

Our Directors (including the independent non-executive Directors) consider that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and 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 as a whole. Our Directors also believe that our Group's structure whereby the financial results of the consolidated affiliated entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the flow of economic benefits of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules.

Pursuant to the exclusive management consultancy and business cooperation agreements (i) Beipeng Software, Dalian Educational Group and any of its subsidiaries and schools and the Founder's sister entered into on May 11, 2014, (ii) among Beipeng Software and Dalian Maple Leaf High School entered into on May 11, 2014 and (iii) among Beipeng Software, Wuhan Foreign School, Dalian Foreign School and the Founder entered into on August 22, 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 and Dalian Maple Leaf High School 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 August 31, 2014, the Services provided by Beipeng Software to the Dalian Educational Group and its subsidiaries, Maple Leaf High School, Wuhan Foreign School and Dalian Foreign School amounted to an aggregate of RMB21.4 million. 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 August 31, 2014.

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended August 31, 2014:

1. nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; and

3. 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.

During the Reporting Period, no related parties transactions disclosed in note 35 to the financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosable requirements set out in Chapter 14A of the Listing Rules.

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 August 31, 2014.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents or other sponsors. We did not have a single customer who accounted for more than 5% of our revenue for the years ended August 31, 2014 and 2013.

Our suppliers primarily comprise of travel agencies, construction material providers, electronics vendors and technology system vendors. For the year ended August 31, 2014, our five largest suppliers in aggregate accounted for 5%, of our cost of revenue and our largest supplier accounted for 2% of our cost of revenue. None of our Directors, their respective associates, or any Shareholder 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 EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As the Shares of the Company were not listed on the Stock Exchange as of August 31, 2014, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as of August 31, 2014.

As of the Listing Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Underlying Shares	Approximate percentage of shareholding
Shu Liang Sherman Jen[1]	Interest of controlled corporation	717,869,909(L)	53.81%
Shu Liang Sherman Jen[2]	Beneficial interest	3,212,015(L)	0.24%
Zhenwan Liu[3]	Beneficial interest	1,606,007(L)	0.12%
Jingxia Zhang[4]	Beneficial interest	1,606,007(L)	0.12%
James William Beeke[5]	Beneficial interest	1,070,671(L)	0.08%
James William Beeke[6]	Beneficial interest	1,070,671(L)	0.08%
Peter Humphrey Owen[7]	Beneficial interest	1,070,671(L)	0.08%
Howard Robert Balloch[8]	Beneficial interest	1,070,671(L)	0.08%

Notes:

(1) Sherman Investment is a company incorporated in the BVI that is wholly-owned by Mr. Jen. Mr. Jen is taken to be interested in 717,869,909 Shares held by Sherman Investment.

(2) Mr. Shu Liang Sherman Jen is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 3,212,015 Shares.

(3) Mr. Zhenwan Liu is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 1,606,007 Shares.

(4) Ms. Jingxia Zhang is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 1,606,007 Shares.

(5) Mr. James William Beeke is interested in 1,070,671 Shares of the Company.

(6) Mr. James William Beeke is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 1,070,671 Shares.

(7) Mr. Peter Humphrey Owen is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 1,070,671 Shares.

(8) Mr. Howard Robert Balloch is interested in the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 1,070,671 Shares.

(9) The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as of the Listing Date, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As the Shares of the Company were not listed on the Stock Exchange as of August 31, 2014, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of August 31, 2014.

As of the Listing Date, the following persons had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Approximate percentage of interest in the Company
Sherman Investment[1]	Registered owner	717,869,909(L)	53.81%
Shu Liang Sherman Jen[2]	Interest of a controlled corporation	717,869,909(L)	53.81%
Shu Liang Sherman Jen[2]	Beneficial interest	3,212,015(L)	0.24%
Sequoia Capital China Growth Fund I, L.P.[3]	Registered owner	199,881,280(L)	14.98%

Notes:

(1) Sherman Investment Holdings Limited is a company incorporated in the BVI that is wholly-owned by Mr. Jen and holds 717,869,909 Shares.

(2) Mr. Jen (as the 100% owner of Sherman Investment) is taken to be interested in 717,869,909 Shares held by Sherman Investment and the options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 3,212,015 Shares. Taking into account his interest in the Company held by Sherman Investment, he is deemed to be interested in the Company as to 54.05%.

(3) Sequoia Capital China Growth Fund I, L.P., a limited liability partnership incorporated in the Cayman Islands, is taken to be interested in 199,881,280 Shares which were converted from the 15,703,200 Preferred Shares.

(4) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as of the Listing Date, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

REMUNERATION POLICY

As at August 31, 2014, the Group had approximately 2,608 full-time equivalent employees. Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications, competence and contribution 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, the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and an RSU scheme.

SHARE OPTION SCHEMES AND THE RSU SCHEME

1 Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which was approved and adopted by our Board on April 1, 2008 (the "**Effective Date**"). The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants of the Company and any Parent Corporate or Subsidiary Corporate (as defined in Section 424(e) and Section 424(f) of the US Inland Revenue Code of 1986, respectively) of the Company and any business, corporation, partnership, limited liability company or other entity in which the Company or a Parent Corporate or a Subsidiary Corporate of the Company holds a substantial ownership interest, directly or indirectly ("**Related Entities**") and to promote the success of the Company's business.

(b) Eligible Persons

Awards may be granted by the Administrator (as set out in paragraph (c) below) only to those employees, directors and consultants of the Company or a Related Entity ("**Eligible Person**").

(c) Term of the Pre-IPO Share Option Scheme

Unless earlier terminated by the Board in accordance with its terms, the Pre-IPO Share Option Scheme will continue in effect for a term of 10 years from the Effective Date. Our Board has the authority to amend, suspend or terminate the scheme subject to the approval of the shareholders of the Company to the extent necessary to comply with applicable law.

(d) **Share Limits**

Our Board has authorized the issuance of up to 3,000,000 Ordinary Shares (adjusted for any share-splits or other dilutive issuances) upon the exercise of awards granted under the scheme.

(e) **Option Grants**

The Administrator may grant one or more options under the Pre-IPO Share Option Scheme to any Eligible Person ("**Option**"). Subject to the express provisions of the scheme, the Administrator will determine the number of Shares subject to each Option. Options granted will be evidenced by an option agreement entered into between the Company and the grantee ("**Option Agreement**").

(f) **Vesting and Exercising the Option**

An Option may be exercised only to the extent that it is both vested and exercisable. The Administrator will determine the vesting and/or exercisability provisions of each Option, which provisions will be set forth in the applicable Option Agreement.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised.

(g) **Exercise price**

The Administrator will determine the purchase price per share of the Ordinary Share covered by each Option (the "**exercise price**" of the Option) at the time of the grant of the Option. Such exercise price will be set forth in the applicable Option Agreement. The exercise price of an Option shall not be less than the par value of the Shares on the date of grant.

(h) **Termination, Suspension and Amendments to the Pre-IPO Share Option Scheme**

The Board may at any time amend, suspend or terminate the scheme; provided, however, that no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by applicable laws, or if such amendment would change any of the provisions relating to the right to amend the terms of Options granted or the scheme. No award may be granted during any suspension of the scheme or after termination of the scheme. No suspension or termination of the scheme shall adversely affect any rights under awards already granted to a grantee.

(i) **Outstanding share options**

As of August 31, 2014, 2,515,000 share options to subscribe for an aggregate of 26,927,387 Shares, as adjusted pursuant to the Capitalization Issue, upon the full exercise of which representing approximately 1.98% of the enlarged issued share capital of our Company as at the date of this annual report had been granted to 52 grantees under the Pre-IPO Share Option Scheme, six of whom are Directors and three of whom are members of the senior management team of our Company. The remaining grantees are employees and consultants of the Company. No consideration was paid by any of the grantees for any share options granted by us to them. The exercise price for share options granted is approximately RMB0.93, as adjusted pursuant to the Capitalization Issue. As of the date of this annual report, none of the grantees had exercised any of the options granted to them pursuant to the Pre-IPO Share Option Scheme.

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as of August 31, 2014. No options were granted between August 31, 2014 and the date of this annual report. For further details on the movement of the options during the Reporting Period please see note 29 to the financial statements.

Grantee	Outstanding share options	Position	Consideration paid for the share options	Number of shares underlying share options granted[1]	Exercise Price[2]	Date of Grant	Vesting Period	The period during which share options are exercisable
Director								
Jingxia Zhang (張景霞)	70,000	Executive Director, Senior Vice President and Co-Chief Financial Officer	Nil	749,470	RMB10	September 1, 2008	Four years from the date of grant	10 years after the date of grant
	80,000		Nil	856,537	RMB10	June 2, 2014	None	10 years after the date of grant
Shu Liang Sherman Jen (任書良)	300,000	Executive Director, Chairman of the Board and Co-Chief Executive Officer	Nil	3,212,015	RMB10	June 2, 2014	None	10 years after the date of grant
Zhenwan Liu [3] (柳振萬)	150,000	Executive Director, President, Vice Chairman of the Board and Co-Chief Executive Officer	Nil	1,606,007	RMB10	June 2, 2014	None	10 years after the date of grant

Grantee	Outstanding share options	Position	Consideration paid for the share options	Number of shares underlying share options granted[1]	Exercise Price[2]	Date of Grant	Vesting Period	The period during which share options are exercisable
James William Beeke	100,000	Executive Director, Vice President and BC program Superintendent	Nil	1,070,671	RMB10	June 2, 2014	None	10 years after the date of grant
Peter Humphrey Owen[3]	100,000	Independent non-executive Director	Nil	1,070,671	RMB10	June 2, 2014	None	10 years after the date of grant
Howard Robert Balloch	100,000	Non-Executive Director	Nil	1,070,671	RMB10	June 2, 2014	None	10 years after the date of grant
Sutherland Colleen Dawn[4]	30,000	Director	Nil	321,202	RMB10	June 2, 2014	None	10 years after the date of grant
Senior Management								
Linsheng Chen (陳林生)	70,000	Vice President and the Chinese Program Superintendent	Nil	749,470	RMB10	September 1, 2008	Four years from the date of grant	10 years after the date of grant
	30,000		Nil	321,202	RMB10	June 2, 2014	None	10 years after the date of grant
Bin Xu (徐斌)	100,000	Vice President and Co-Chief Financial Officer	Nil	1,070,671	RMB10	June 2, 2014	None	10 years after the date of grant
Xiaoduo Zhang (張小多)	30,000	Director of the Marketing Department	Nil	321,202	RMB10	June 2, 2014	None	10 years after the date of grant
Total	1,160,000			12,419,789				

Grantee	Outstanding share options	Position	Consideration paid for the share options	Number of shares underlying share options granted[1]	Exercise Price[2]	Date of Grant	Vesting Period	The period during which share options are exercisable
Other employees								
26 employees	940,000		Nil	10,064,312	RMB10	September 1, 2008	Four years from the date of grant	10 years after the date of grant
11 employees	160,000		Nil	1,713,074	RMB10	September 1, 2009	Four years from the date of grant	10 years after the date of grant
8 employees	255,000		Nil	2,730,212	RMB10	June 2, 2014	None	10 years after the date of grant
Total	1,355,000			14,057,598				
TOTAL	2,515,000			26,927,387				

Note:

(1) Adjusted pursuant to the Capitalization Issue.

(2) RMB0.93 after being adjusted pursuant to the Capitalization Issue.

(3) Mr. Liu and Mr. Owen were appointed as Directors of the Company effective from the Listing Date.

(4) Ms. Dawn ceased acting as a Director of the Company on April 10, 2014.

After the Reporting Period, the Company adopted a Post-IPO Share Option Scheme and an RSU Scheme.

2. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on November 10, 2014.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is 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 authorized 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 issued share capital of our Company from time to time.

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 day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 133,400,000 Shares (the "**General Scheme Limit**") but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

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 Options scheme of our Group shall not exceed 10% of the Shares in issue as of 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 Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of 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 Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of 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 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 Global Offering 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 a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of 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 commencing on the date on which the Post-IPO Share Option Scheme is adopted.

(j) Grant of Options

As of the date of this annual report, no Options have been granted or agreed to be granted under the Post-IPO Share Option Scheme.

3. RSU Scheme

(a) Background

The following is a summary of principal terms of the RSU Scheme conditionally approved by a written resolution of our Shareholders passed on November 10, 2014 and adopted by a resolution of the Board on November 10, 2014.

The purpose of the RSU Scheme is to reward the fidelity of the directors, executive officers, senior managers and employees of the Company and of its subsidiaries and consolidated affiliated entities (collectively, "**Scheme Companies**" and each, a "**Scheme Company**") and align their interests with those of the Shareholders.

The RSU Scheme will become effective subject to and upon Listing. The grant of the RSUs will be made after Listing thereby recognizing the contribution of the Scheme Companies' directors, executive officers, senior managers and employees to the historical achievements of the Company.

The Company has the intention to continue exploring ways to incentivize, retain and reward Scheme Companies' directors, executive officers, senior management and employees and may implement other RSU schemes or other share-based remuneration schemes in the future.

(b) RSUs

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

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

(c) Grant of RSUs

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

(d) Shares underlying the RSUs

In order to allow release of Shares to Beneficiaries upon vesting of each RSU under the RSU Scheme, the Company will allot and issue such number of shares representing up to 3% of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, excluding any Shares which may be issued pursuant to the RSU Scheme or the exercise of the Over-allotment Option or any options granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme to scheme participants under the RSU Scheme.

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

The grant of RSUs by the Company or transfer upon vesting of the RSUs of any of the Scheme Shares by the Scheme Trustee to a connected person of the Company should not be subject to the requirements of Chapter 14A of the Listing Rules.

(e) Vesting of RSUs

Vesting of RSUs is subject to continued employment of the Beneficiaries with a Scheme Company over the vesting period.

In the event of termination of the employment or corporate officer's mandate of a Beneficiary with a Scheme Company, his or her RSUs 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.

Exceptions apply in the case of the Beneficiary's death and disability. In such events, RSUs are not forfeited and Shares are released to the Beneficiaries or his or her heirs upon their request.

In the case of retirement or early retirement of the Beneficiary, RSUs 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.

The vesting period of the RSUs is as follows:

(i) Part 1 — If the grantee remains as an employee of the Group from January 1, 2014 to December 31, 2016, the vesting period of the RSUs is fixed at three years and Shares are issued quarterly in four equal installments, upon Listing.

(ii) Part 2 — If the grantee remains as an employee of the Group from January 1, 2014 to December 31, 2014, the vesting period of the RSUs is fixed at one year and Shares are issued on December 31, 2014, upon Listing.

Upon vesting, the Company instructs the Scheme Trustee to release Scheme Shares to the Beneficiary on its behalf.

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

Save as disclosed above, no share options or shares have been granted under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme. The other principal terms of the relevant schemes are set out in the prospectus of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company maintained the prescribed public float under the Listing Rules.

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

The Group did not have any material litigation outstanding as at August 31, 2014.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting underwriting fees, amounted to approximately HK$928.3 million, which sum is intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As the Company is in the process of handling relevant foreign exchange procedures, the net proceeds are temporarily placed as short-term interest bearing deposit with licensed financial institutions in Hong Kong.

CHANGES IN INFORMATION OF DIRECTORS

Changes in Director' biographical details since the publication of the prospectus of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules, are set out below:

Mr. Yue Ji ceased to be a non-executive Director effective November 28, 2014.

CORPORATE GOVERNANCE

As the Company's Shares were not listed on the Stock Exchange during the year ended August 31, 2014, the Corporate Governance Code contained in Appendix 14 to the Listing Rules was not applicable to the Company for that year. Information on the principal corporate governance practices adopted by the Company since the Listing Date is set out in the Corporate Governance Report on pages 52 to 58 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers each of the independent non-executive Directors to be independent.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended August 31, 2014.

AUDITOR

The consolidated financial statements for the year ended August 31, 2014 have been audited by Deloitte. A resolution for the reappointment of Deloitte as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Shu Liang Sherman Jen
Chairman

Hong Kong, November 18, 2014

Corporate Governance Report

The Board of Directors of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended August 31, 2014.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company has committed to achieving high corporate governance standards.

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

As our Company was not yet listed on the Stock Exchange during the financial year ended August 31, 2014, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to our Company during such period under review. After the Listing, we have complied with all the code provisions set forth in the Corporate Governance Code, save that Mr. Sherman Jen performs the dual roles of both chairman and Co-CEO. Our Board believes that by vesting the roles of both chairman and Co-CEO in Mr. Sherman Jen, along with the other Co-CEO, Mr. Zhenwan Liu, 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. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

The Directors will use their best endeavours to procure the Company to continue to comply with such code of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. As the Shares of the Company were not listed on the Stock Exchange as at August 31, 2014, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions were not applicable to the Company for the year ended August 31, 2014.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code from the Listing Date to the date of this annual report.

BOARD OF DIRECTORS

The Board currently comprises eight members, consisting of four executive Directors, one non-executive Directors and three independent non-executive Directors.

During the year end August 31, 2014 and up to the date of this corporate governance report, the Board of the Company comprises the following Directors:

Executive Directors

Mr. Shu Liang Sherman Jen *(Chairman, Co-Chief Executive Officer and Chairman of Nomination and Corporate Governance Committee)*

Mr. Zhenwan Liu *(Vice Chairman, President and Co-Chief Executive Officer)*

Ms. Jingxia Zhang *(Senior Vice President and Co-Chief Financial Officer)*

Mr. James William Beeke *(Vice President and BC program Superintendent)*

Non-executive Directors

Mr. Howard Robert Balloch *(Member of Remuneration Committee)*

Mr. Yue Jie *(resigned on Listing Date)*

Independent non-executive Directors

Mr. Peter Humphrey Owen *(Chairman of Remuneration Committee, Member of Audit Committee and Member of Nomination and Corporate Governance Committee)*

Mr. Chak Kei Jack Wong *(Member of Audit Committee, Member of Remuneration Committee and Member of Nomination and Corporate Governance Committee)*

Mr. Lap Tat Arthur Wong *(Chairman of Audit Committee)*

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 22 to 28 of this annual report for the year ended August 31, 2014.

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

Chairman and Co-Chief Executive Officer ("Co-CEO")

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

Mr. Shu Liang Sherman Jen performs the dual roles of both chairman and Co-CEO, along with the other Co-CEO, Mr. Zhenwan Liu. Our Board believes that by vesting the roles of both chairman and Co-CEO in Mr. Shu Liang Sherman Jen, along with the other Co-CEO, Mr. Zhenwan Liu, 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. Our 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.

Independent non-executive Directors

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

Each of the three independent non-executive Directors has confirmed his independence and the Company considers each of them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rule.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the Corporate Governance Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

All of the Directors of the Company are appointed for a specific term of three years except Mr. Lap Tat Arthur Wong who is appointed for a specific term of two years. Each of the Directors is subject to retirement by rotation once every three years when required under 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. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, 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 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 co-ordinating the daily operation 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 Company.

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

In accordance with A.6.5 of the Corporate Governance Code with regards to continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company has arranged briefings for Directors on their duties under the SFO and Listing Rules before Listing. All Directors are encouraged to attend relevant training courses at the Company's expenses.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are 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 under "Corporate Information" on page 2.

Audit Committee

On June 2, 2014, the Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance 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, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

The Audit Committee shall meet at least twice annually, or more frequently if circumstances require, to review interim and annual financial results and reports for the year 2015 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and confidential arrangements for employees to raise concerns about possible improprieties.

The Audit Committee will also meet the external auditors twice annually without the presence of the executive directors.

Remuneration Committee

On June 2, 2014, the Company established a Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code. The primary duties of the Remuneration Committee include but are not limited to, the following:- (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; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee shall meet at least once annually, or more frequently if circumstances require, to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

Nomination and Corporate Governance Committee

On June 2, 2014, the Company established a Nomination and Corporate Governance Committee with written terms of reference in compliance with paragraphs A.4 and D.3 of the Corporate Governance Code. The Nomination and Corporate Governance Committee has the following two main functions: (i) nomination function including reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive directors and making recommendations to the Board on matters relating to the appointment of directors; (ii) corporate governance function including reviewing the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

The Nomination and Corporate Governance Committee shall meet at least once a year, or more frequently if circumstances require to review the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors and to develop and evaluate the corporate governance practices of the Company.

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 August 31, 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 59 to 60.

AUDITORS' REMUNERATION

For the year ended August 31, 2014, apart from the provisions of annual audit services, the Group's external auditors, Deloitte, were also the reporting accountants of the Company in relation to listing. During the year ended August 31, 2014, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Items of auditor's services	Amount (RMB)
Audit services:	
Audit service in relation to listing	5,350,000
Annual audit service	900,000
Non-audit services:	
Tax advisory services	420,000
Internal control review services	550,000
Total	7,220,000

INTERNAL CONTROLS

The Board shall conduct a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function in 2015.

COMPANY SECRETARY

Ms. Wai Ling Chan of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Her primary contact person at the Company is Mr. Bin Xu, Co-Chief Financial Officer of the Company and Ms. Grace Jen, assistant of Mr. Bin Xu.

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 on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of 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 members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held 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 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 of the Company, 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: Maple Leaf Educational Park, Jinshitan, Dalian, Liaoning, China 116650
(For the attention of Jen Shu Ling, Investor Relations Manager)

Fax: +86-411-8790-6887

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 endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, directors (or their delegates as appropriate) will be available to meet shareholders and answer their enquiries.

The Company has not made any changes to its Articles of Association on or after the Listing Date. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Independent Auditors' Report

Deloitte.
德勤

TO THE MEMBERS OF
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED

(incorporated in the Cayman Islands with limited liability)

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 61 to 140, which comprise the consolidated statement of financial position as at August 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at August 31, 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

November 18, 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended August 31, 2014

	NOTES	Year ended August 31, 2014 RMB'000	2013 RMB'000
Revenue	5	540,269	471,219
Cost of revenue		(305,148)	(268,751)
Gross profit		235,121	202,468
Investment and other income	6	5,702	4,859
Other income, gains and losses	7	(246)	101
Marketing expenses		(21,709)	(20,886)
Administrative expenses		(74,528)	(56,118)
Finance costs	8	(15,493)	(15,554)
Other expenses		(24,128)	(1,515)
Change in fair value on redeemable convertible preferred shares	27	(91,812)	(63,720)
Loss on modification of redeemable convertible preferred shares	27	(3,286)	—
Change in fair value on warrants	27	(3,695)	(8,410)
Gain on cancellation of warrants	27	42,510	—
Profit before taxation		48,436	41,225
Taxation	9	(8,400)	(8,043)
Profit for the year	10	40,036	33,182
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investments		249	316
Exchange difference arising on the translation of foreign operation		747	(120)
Other comprehensive income for the year		996	196
Total comprehensive income for the year		41,032	33,378
EARNINGS PER SHARE	13		
Basic (RMB)		0.56	0.46
Diluted (RMB)		0.02	0.46

Consolidated Statement of Financial Position

At August 31, 2014

	NOTES	At August 31, 2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment	14	1,218,897	1,177,025
Prepaid lease payments	15	191,715	196,589
Investment properties	16	17,850	18,704
Goodwill	17	1,982	1,982
Available-for-sale investments	18	—	3,493
Books for lease		3,407	3,309
Deposits for construction of property and land use right		1,037	1,227
Prepayment for purchase of property plant and equipment		2,118	—
		1,437,006	1,402,329
Current Assets			
Available-for-sale investments	18	161,741	—
Deposit, prepayments and other receivables	19	24,626	16,256
Restricted bank deposits	20	4,000	—
Bank balances and cash	20	380,332	409,303
		570,699	425,559
Current Liabilities			
Deferred revenue	21	500,231	408,325
Other payables and accrued expenses	22	218,148	188,607
Amounts due to related parties	35	3,544	13,491
Income tax payable		16,959	17,541
Bank borrowings	24	223,500	215,000
Redeemable convertible preferred shares	27	—	381,420
Warrants	27	—	38,815
		962,382	1,263,199
Net Current Liabilities		(391,683)	(837,640)
Total Assets Less Current Liabilities		1,045,323	564,689

Consolidated Statement of Financial Position

At August 31, 2014

	NOTES	At August 31, 2014 RMB'000	2013 RMB'000
Capital And Reserves			
Share capital	26	511	511
Reserves		466,723	417,131
		467,234	417,642
Non-Current Liabilities			
Deferred tax liabilities	23	19,171	14,347
Bank borrowings	24	—	60,000
Redeemable convertible preferred shares	27	476,518	—
Deposit received in respect of disposal of properties	25	80,000	70,000
Other non-current liabilities		2,400	2,700
		578,089	147,047
		1,045,323	564,689

The consolidated financial statements on pages 61 to 140 were approved and authorised for issue by the Board of Directors on November 18, 2014 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended August 31, 2014

	Share capital RMB'000	Share premium RMB'000 (note a)	Investment valuation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note b)	Share option reserve RMB'000	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000
At September 1, 2012	511	24,940	63	59	135,636	3,994	219,030	384,233
Other comprehensive income for the year	–	–	316	(120)	–	–	–	196
Profit for the year	–	–	–	–	–	–	33,182	33,182
Total comprehensive income for the year	–	–	316	(120)	–	–	33,182	33,378
Transfer	–	–	–	–	27,847	–	(27,847)	–
Share-based payments	–	–	–	–	–	31	–	31
At August 31, 2013	511	24,940	379	(61)	163,483	4,025	224,365	417,642
Other comprehensive income for the year	–	–	249	747	–	–	–	996
Profit for the year	–	–	–	–	–	–	40,036	40,036
Total comprehensive income for the year	–	–	249	747	–	–	40,036	41,032
Transfer	–	–	–	–	9,532	–	(9,532)	–
Share-based payments	–	–	–	–	–	8,560	–	8,560
At August 31, 2014	511	24,940	628	686	173,015	12,585	254,869	467,234

Note a: Share premium represents the excess of capital contribution by the shareholder over the share capital.

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

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

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

Consolidated Statement of Cash Flows

For the year ended August 31, 2014

	Year ended August 31, 2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	48,436	41,225
Adjustments for:		
Amortisation of books for lease	2,875	3,132
Change in fair value on redeemable convertible preferred shares	91,812	63,720
Change in fair value on warrants	3,695	8,410
Depreciation of investment properties	854	854
Depreciation of property, plant and equipment	35,424	29,873
Dividends from available-for-sale investments	(146)	(144)
Exchange loss (gain)	202	(185)
Finance costs	15,493	15,554
Gain on cancellation of warrants	(42,510)	—
Interest Income	(1,354)	(960)
Loss on modification of redeemable convertible preferred shares	3,286	—
Loss (gain) on disposal of property, plant and equipment	22	(286)
Release of prepaid lease payment	4,874	4,473
Share-based payments	8,560	31
Operating cash flows before movements in working capital	171,523	165,697
Increase in deferred revenue	91,906	50,850
Increase in other payables and accrued expenses	60,998	35,941
Increase in deposits, prepayment and other receivables	(8,370)	(3,089)
Cash generated from operations	316,057	249,399
Income tax paid	(4,158)	(85)
Interest received	1,354	960
NET CASH FROM OPERATING ACTIVITIES	313,253	250,274

Consolidated Statement of Cash Flows

For the year ended August 31, 2014

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(158,000)	—
Payments for property, plant and equipment	(110,765)	(200,135)
Placement of restricted bank deposits	(4,000)	—
Purchase of books for lease	(2,973)	(2,413)
Deposit received in respect of disposal of properties	10,000	10,000
Refund of deposits for construction of property and land use right	190	1,966
Dividends received from available-for-sale investments	146	144
Proceeds from disposal of property, plant and equipment	85	437
Prepaid lease payments paid	—	(37,200)
NET CASH USED IN INVESTING ACTIVITIES	(265,317)	(227,201)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	165,000	275,000
Repayment of bank borrowings	(216,500)	(170,000)
Interest paid	(15,441)	(15,654)
Repayment to related parties	(10,000)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(76,941)	89,346
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,005)	112,419
CASH AND CASH EQUIVALENTS AT SEPTEMBER 1	409,303	297,036
Effect of foreign exchange rate changes	34	(152)
CASH AND CASH EQUIVALENTS AT AUGUST 31, represented by bank balances and cash	380,332	409,303

Notes to the Consolidated Financial Statements

For the year ended August 31, 2014

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on June 5, 2007. Its parent is Sherman Investment Holdings Company incorporated in the British Virgin Islands ("BVI") and its ultimate controlling party is Mr. Sherman Jen, who is also the Chairman of the board and Co-Chief Executive Officer of the Company. The addresses of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is Maple Leaf Education Campus, 9 Central Street, Jinshitan National Tourist Area, Dalian, Liaoning Province 116650, the PRC.

The Group operates a network of bilingual private schools and preschools in the PRC under the "Maple Leaf" brand, focusing on high schools that offer dual-diploma curriculum (British Columbia curriculum and Chinese curriculum) and bilingual education within the PRC.

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"), Dalian Maple Leaf Science and Education Co., Ltd ("Dalian Science and Education"), Dalian Maple Leaf Foreign National School ("Dalian Foreign School") and Wuhan Maple Leaf Foreign National School ("Wuhan Foreign School") ("Consolidated Affiliated Entities") in the PRC. The wholly-owned subsidiary, Dalian Beipeng Educational Software Development Inc. ("Beipeng Software"), has 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

1. GENERAL (continued)

— obtain a pledge over the entire equity interest of Dalian Educational Group and Dalian Science and Education from their equity holders as collateral security for all of Dalian Educational Group and Dalian Science and Education's payments due to Beipeng Software and to secure performance of Dalian Educational Group and Dalian Science and Education and their respective subsidiaries obligations under the Contractual Arrangements.

There are no such 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 financial position and results of Dalian Foreign School, Wuhan Foreign School, Dalian Science and Education, Dalian Educational Group and Dalian Educational Group's subsidiaries in the consolidated financial statements of the Group during both years.

The following financial statement balances and amounts of the Consolidated Affiliated Entities and the Consolidated Affiliated Entities' subsidiaries were included in the consolidated financial statements:

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Revenue	374,318	239,079
Profit before taxation	103,591	54,581

1. GENERAL (continued)

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Non-current assets	922,767	875,209
Current assets	339,679	279,821
Current liabilities	(686,442)	(489,383)
Non-current liabilities	—	(60,000)

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The Group had net current liabilities of approximately RMB391,683,000 as at August 31, 2014 (2013: RMB837,640,000), of which the current liabilities of approximately RMB223,500,000 (2013: RMB215,000,000) and RMB500,231,000 (2013: RMB408,325,000) were attributable to bank borrowings due within one year and deferred revenue, respectively.

Taking into account the financial resources of the Group, including the Group's unutilised banking facilities and the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has consistently applied, the International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on September 1, 2013 for the both years.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New and revised IFRSs issued but not effective

The Group has not early applied the following new and revised standards, amendments and interpretation ("new and revised IFRSs") that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after July 1, 2014
5 Effective for annual periods beginning on or after January 1, 2016
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at August 31, 2014, the directors of the Company anticipate that the adoption of IFRS 9 in the future may have impact on the Group's redeemable convertible preferred shares and have no significant impact on the amounts of the Group's other financial assets and financial liabilities. Regarding the Group's redeemable convertible preferred shares, it is not applicable to provide a reasonable estimate of that effect until a detail review has been completed.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including the consolidated affiliated entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of the each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of returns, discounts, and sales related tax.

Service income includes tuition fees from foreign school, elementary schools, middle schools and high schools of the Group and tuition fee from preschool service.

The tuition fees from preschools of the Group are paid in advance at the beginning of every month. Revenue is recognised after a service contract is signed, the price is fixed or determinable, and services are provided.

Tuition and boarding fees received from foreign schools, elementary schools, middle schools and high schools are generally paid in advance prior to at the beginning of each school year or semester, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year. The academic year of the Group's school is generally from September to June of the following year.

The Group also provides graduation consulting services and organises winter and summer campus to students. Revenue from such services are recognised when the related services are rendered and when it is probable that the economic benefits from the services rendered will flow to the Group and such benefit could be reliably measured.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group also rents educational books to students for high school education. Book rental fee is generally billed to a student at the beginning of an academic year and is recognised on a straight-line basis over the period of renting. Rental fees paid in advance are recorded as deferred revenue.

Revenue from the sale of educational materials is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the Company at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

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 as reported in the consolidated statement of profit or loss and other comprehensive income because 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 each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried out at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use right and is amortised to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC and the remaining terms of the operating license of the PRC entity, whichever is the shorter. Prepaid lease payments which is to be amortised to profit or loss in the next twelve months is classified as current assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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 the impairment loss, if any. When 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flow 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 assets for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or a cash-generating unit) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When other receivables are considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss ("FVTPL") when the financial liability is either held for trading or it is designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminated or significant reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Redeemable convertible preferred shares issued by the Company comprise the host debt instrument and the embedded derivatives (including the redemption option and conversion option) and are designated as financial liabilities at fair value through profit or loss on initial recognition. The conversion option allows the holder to convert the preferred shares into ordinary shares and will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, and therefore it does not meet the equity classification. At the end of each reporting period subsequent to initial recognition, the entire redeemable convertible preferred shares are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Transaction costs that relate to the issue of the redeemable convertible preferred shares designated as financial liabilities at fair value through profit or loss are charged to profit or loss immediately

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities including other payables, bank borrowings, amounts due to related parties and other non-current liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) 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 of the Company 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 of the Company concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of Dalian Foreign School, Wuhan Foreign School, Dalian Science and Education, Dalian Educational Group and Dalian Educational Group's subsidiaries in the consolidated financial statements during both years.

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 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. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beipeng Software, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are 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 twelve months from the end of each reporting period.

(a) Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at August 31, 2014, the carrying amount of property, plant and equipment are RMB1,218,897,000 (2013: RMB1,177,025,000). Any change in these estimates may have a material impact on the results of the Group.

(b) Fair value of redeemable convertible preferred shares and warrants

The fair value of the redeemable convertible preferred shares and warrants are calculated using the valuation techniques. These techniques include discounted cash flow analysis and option pricing method. Valuation techniques are proposed by independent and recognised international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. The model involves estimates on time to expiration, risk free rate, other comparable public companies share price volatility and others. As at August 31, 2014, the carrying amount of the redeemable convertible preferred shares is RMB476,518,000 (2013: RMB381,420,000). As at August 31, 2014, the carrying amount of the warrants is RMB nil (2013: RMB38,815,000).

Should any of the estimates be revised, it may lead to a material change to the fair value of the redeemable convertible preferred shares and warrants.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) service income from tuition fees and boarding fees, (ii) fees from overseas studies consulting services and summer and winter vacation activities provided to students, (iii) fees from renting educational books to students, and (iv) sales of educational materials to students, less returns, discounts and sales related tax.

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

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

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

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Tuition and boarding fees	466,748	405,962
Others	73,521	65,257
	540,269	471,219

Major customers

No single customer contributes 10% or more of total revenue of the Group for the years ended August 31, 2014 and 2013.

Geographical information

The Group primarily operates in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

6. INVESTMENT AND OTHER INCOME

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Interest income	1,354	960
Dividends income from available-for-sale investments	146	144
Rental income from investment properties	3,644	3,755
Others	558	—
	5,702	4,859

7. OTHER INCOME, GAINS AND LOSSES

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
(Loss) gain on disposal of property, plant and equipment	(22)	286
Net foreign exchange (loss) gain	(202)	185
Others	(22)	(370)
	(246)	101

8. FINANCE COSTS

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Interest expense on bank borrowings wholly repayable within 5 years	15,493	15,554

9. TAXATION

	Year ended August 31, 2014 RMB'000	2013 RMB'000
The charge comprises		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**3,576**	2,753
Deferred tax:		
Current year (Note 23)	**4,824**	5,290
	8,400	8,043

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

	Year ended August 31, 2014 RMB'000	2013 RMB'000
Profit before taxation	**48,436**	41,225
Tax at PRC EIT rates of 25%	**12,109**	10,306
Tax effect of tax loss not recognised	**14,048**	20,485
Utilisation of tax loss previously not recognised	**(1,655)**	(2,452)
Tax effect of income not taxable for tax purposes	**(100,824)**	(90,822)
Tax effect of expenses not deductible for tax purposes	**84,722**	70,526
Tax charge for the year	**8,400**	8,043

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited ("Maple BVI") was incorporated in the BVI that are tax exempted as no business is carried out in the Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax been made as the Group's operation in Hong Kong had no assessable profit for either year.

9. TAXATION (continued)

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the years ended August 31, 2014 and 2013.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same treatment as public schools. Dalian Maple Leaf International School ("Dalian High School"), Dalian Maple Leaf International School (Middle School and Elementary School) ("Dalian Junior"), Tianjin Taida Maple Leaf International School, Wuhan Maple Leaf International School and Wuhan Maple Leaf School have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities. During the year ended August 31, 2014, the tuition income not taxable is RMB403,294,000 (2013: RMB363,287,000), and the related expense not deductible is RMB164,280,000 (2013: RMB142,729,000).

As at August 31, 2014, the Group had unused tax loss of RMB27,411,000 (2013: RMB34,766,000) available for offset against future profits. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future tax profit streams. Tax losses of RMB27,411,000 (2013: RMB34,766,000) as of August 31, 2014 will expire in various years before 2019 (2013: 2018).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB446,169,000 at August 31, 2014 (2013: RMB342,250,000), 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.

10. PROFIT FOR THE YEAR

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	216,085	189,003
— retirement benefit scheme contributions	8,387	6,815
— share-base payments	8,560	31
Total staff costs	233,032	195,849
Gross rental income from investment properties	(3,644)	(3,755)
Less:		
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year (included in other expenses)	1,366	1,406
Direct operating expense (including depreciation) incurred for investment properties that did not generate rental income during the year (included in other expenses)	147	109
	(2,131)	(2,240)
Depreciation of property, plant and equipment	35,424	29,873
Depreciation of investment properties	854	854
Release of prepaid lease payments	4,874	4,473
Amortisation of books for lease	2,875	3,132
Auditors' remuneration	66	53
Listing-related expenses (included in other expenses)	22,511	—

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

Directors and chief executives

Details of the emoluments paid to the directors of the Company and the chief executive of the Company are as follows:

For the year ended August 31, 2014:

	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	—	2,000	2,014	—	4,014
— Zhang Jingxia	—	1,000	537	—	1,537
— Sutherland Colleen Dawn	—	428	201	—	629
— James William Beeke	—	—	671	—	671
Non-executive directors					
— Howard Robert Balloch	—	—	671	—	671
Total	—	3,428	4,094	—	7,522

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended August 31, 2013:

	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	—	2,000	—	—	2,000
— Zhang Jingxia	—	1,000	—	—	1,000
— Sutherland Colleen Dawn	—	694	—	—	694
	—	3,694	—	—	3,694

Notes:

Ms. Sutherland Colleen Dawn resigned as an executive director on April 24, 2014. Mr. James William Beeke was appointed as an executive director of the Company with effect from April 24, 2014.

No emoluments were paid or payable to Mr. Yue Ji, the non-executive director of the Company during either year. No emoluments were paid or payable to Mr. Howard Robert Balloch, the non-executive director of the Company during the year ended August 31, 2013.

Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong and Mr. Lap Tat Arthur Wong were appointed as independent non-executive directors of the Company in June 2014, taking effect on the first day on which the Company' shares commence listing on the Stock Exchange (the "Listing Date"). No emoluments were paid to them during the year ended August 31, 2014.

Mr. Sherman Jen is also the chief executive of the Company for both years, and his emoluments disclosed above include those for services rendered by him as the chief executive.

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

Employees

The five highest paid individuals of the Group included two directors for the year ended August 31, 2014 (2013: three) whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals for the year ended August 31, 2014 (2013: two), are as follows:

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Salaries and other benefits	2,259	1,883
Share-based payments	1,679	—
Retirement benefit scheme contributions	7	—
	3,945	1,883

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

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Hong Kong Dollars ("HK$") nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	2	—
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	1	—

During the years ended August 31, 2014 and 2013, no remuneration was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during either year.

12. DIVIDENDS

No dividend has been paid or proposed during the years ended August 31, 2014 and 2013.

13. EARNINGS PER SHARE

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

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share	40,036	33,182
Change in fair value on redeemable convertible preferred shares	—	—
Change in fair value on warrant and gain on cancellation of warrants	(38,815)	—
Earnings for the purpose of diluted earnings per share	1,221	33,182

	Year ended August 31,	
	2014	2013
	'000	'000
Numbers of shares:		
Number of ordinary shares for the purpose of basic earnings per share	770,883	770,883
Effect of dilutive potential ordinary shares:		
Warrants	7,402	—
Share options	7,560	4,975
Weighted average number of ordinary shares for the purpose of diluted earnings per share	785,845	775,858

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share has not been adjusted for the effect of the capitalisation issue as described more fully in Appendix VI to the Prospectus.

For the years ended August 31, 2014 and 2013, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding redeemable convertible preferred shares since their conversion would result in an increase in the earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants to purchase redeemable convertible preferred shares and the concurrent conversion of such redeemable convertible preferred shares to the ordinary shares since their exercise and conversion would result in an increase in earnings per share for the year ended August 31, 2013.

14. 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 September 1, 2012	946,596	3,770	6,682	12,456	39,813	78,001	1,087,318
Additions	18,887	21	1,085	1,404	8,540	215,822	245,759
Transfer	93,374	–	–	–	–	(93,374)	–
Disposals	–	–	(955)	(74)	(628)	–	(1,657)
Exchange adjustment	–	–	–	–	–	(97)	(97)
At August 31, 2013	1,058,857	3,791	6,812	13,786	47,725	200,352	1,331,323
Additions	6,636	10	673	5,915	12,903	50,699	76,836
Transfer	236,646	–	–	–	–	(236,646)	–
Disposals	–	–	–	(402)	(777)	–	(1,179)
Exchange adjustment	–	–	–	–	–	565	565
At August 31, 2014	1,302,139	3,801	7,485	19,299	59,851	14,970	1,407,545
DEPRECIATION							
At September 1, 2012	89,134	2,603	3,852	6,289	24,053	–	125,931
Provided for the year	20,832	539	945	1,421	6,136	–	29,873
Eliminated on disposals	–	–	(907)	(6)	(593)	–	(1,506)
At August 31, 2013	109,966	3,142	3,890	7,704	29,596	–	154,298
Provided for the year	25,019	416	921	1,933	7,135	–	35,424
Eliminated on disposals	–	–	–	(377)	(697)	–	(1,074)
At August 31, 2014	134,985	3,558	4,811	9,260	36,034	–	188,648
NET BOOK VALUES							
At August 31, 2013	948,891	649	2,922	6,082	18,129	200,352	1,177,025
At August 31, 2014	1,167,154	243	2,674	10,039	23,817	14,970	1,218,897

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value of 5% of the cost, are depreciated on a straight-line basis at the following rates per annum:

Buildings	1.9% to 3.2%
Leasehold improvements	19%
Motor vehicles	19%
Furniture and fixtures	11.9% to 19%
Computer equipment	19%

At August 31, 2014, the Group had pledged its buildings with an aggregate carrying value of RMB123,896,000 (2013: RMB276,450,000), to secure for general banking facilities granted to the subsidiaries of the Company.

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

At August 31, 2014, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB285,932,778 (2013: RMB348,062,810) which are located in the PRC.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease and are analysed for reporting purposes as:

	At August 31,	
	2014 RMB'000	2013 RMB'000
Current assets (included in deposits, prepayment and other receivables)	4,855	4,855
Non-current assets	191,715	196,589
	196,570	201,444

15. PREPAID LEASE PAYMENTS (continued)

The prepaid lease payments represent the land use rights and are amortised on a straight-line basis over lease terms of 41 to 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At August 31, 2014, the Group had pledged its land use rights with an aggregate carrying value of RMB24,304,000 (2013: RMB57,481,000), to banks to secure the credit facilities granted to the Group.

At August 31, 2014, the carrying value of the land use right of RMB43,148,000 (2013: RMB44,200,000) is allocated by the government. The Group is legally entitled to use it for 50 years which is stated in the corresponding state-owned land use certificate. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

16. INVESTMENT PROPERTIES

	RMB'000
COST	
At September 1, 2012, August 31, 2013 and 2014	26,057
DEPRECIATION	
At September 1, 2012	6,499
Provided for the year	854
At August 31, 2013	7,353
Provided for the year	854
At August 31, 2014	8,207
CARRYING VALUES	
At August 31, 2013	18,704
At August 31, 2014	17,850

16. INVESTMENT PROPERTIES (continued)

The fair value of the Group's investment properties at August 31, 2014 was RMB55,000,000 (2013: RMB55,000,000). The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited ("DTZ"), an independent valuer not connected with the Group. DTZ, located in 16th Floor, Jardine House, 1 Connaught Place Central, Hong Kong, is a member of the Hong Kong Institute of Surveyors. 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. The key inputs are term capitalisation rate and market unit rent of individual unit.

There has been no change from the valuation technique used in the prior year. 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 Dalian		
At August 31, 2013	18,704	55,000
At August 31, 2014	17,850	55,000

The above investment properties are depreciated on a straight-line basis at 3.2% per annum.

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

17. GOODWILL

	RMB'000
COST	
At September 1, 2012, August 31, 2013 and 2014	1,982
IMPAIRMENT	
At September 1, 2012, August 31, 2013 and 2014	—
CARRYING VALUES	
At September 1, 2012, August 31, 2013 and 2014	1,982

The goodwill arose from acquisitions of Dalian Maple Leaf Lanxi Wenyuan Preschool ("Lanxi") and Dalian Maple Leaf Jinhai Preschool ("Jinhai") in June 2007 and April 2009 respectively. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated (net of accumulated impairment losses) as follows:

	At August 31, 2013 and 2014 RMB'000
Cash-generating units:	
Lanxi	1,026
Jinhai	956
	1,982

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. During the years ended August 31, 2014 and 2013, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill.

17. GOODWILL (continued)

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below:

Jinhai

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 15.0% (2013: 15.2%). Jinhai's cash flows beyond the five-year period are extrapolated using 5% (2013: 5%) growth which is assumed based on this preschool's historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the long-lived assets of this unit to exceed their aggregate recoverable amount.

Lanxi

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 15.0% (2013: 15.2%) Lanxi's cash flows beyond the five-year period are extrapolated using 4% (2013: 4%) growth which is based on this preschool's historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the long-lived assets of this unit to exceed their aggregate recoverable amount.

18. AVAILABLE-FOR-SALE INVESTMENTS

	At August 31, 2014 RMB'000	At August 31, 2013 RMB'000
Listed investments, at fair value:		
— Equity securities listed in Hong Kong (note 31 (c))	3,741	3,493
Unlisted investments, at fair value:		
— Financial products issued by banks (note 31 (c))	158,000	—
	161,741	3,493
Analysed for reporting purpose as:		
Current assets	161,741	—
Non-current assets	—	3,493
	161,741	3,493

The fair value of listed investments was determined based on the quoted bid market price available on the Stock Exchange at the end of each reporting period. The Group will dispose of the equity securities listed in Hong Kong before August 31, 2015.

The above unlisted investments represent investments in financial products issued by banks with no predetermined or guaranteed return but principal protected.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At August 31, 2014 RMB'000	At August 31, 2013 RMB'000
Prepaid rent and other prepaid expenses	12,086	6,315
Other deposits	2,206	1,380
Prepaid lease payments	4,855	4,855
Staff advances	1,619	1,129
Other receivables	3,860	2,577
	24,626	16,256

20. RESTRICTED BANK DEPOSITS AND BANK BALANCES

Restricted bank deposits at August 31, 2014 represent the bank deposits of subsidiary at preparatory period for the capital verification purpose. The restriction will be removed upon the finalisation of the capital verification.

Bank balance and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at August 31, 2014, the Group's bank deposits carried a weighted-average interest rate of 0.88% per annum (2013: 0.47%).

At the end of the year, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate.

	At August 31, 2014 RMB'000	At August 31, 2013 RMB'000
Currency:		
United States dollar ("USD")	7,742	4,549
HK$	477	528
	8,219	5,077

21. DEFERRED REVENUE

	At August 31, 2014 RMB'000	At August 31, 2013 RMB'000
Tuition and boarding fees	469,517	381,130
Others	30,714	27,195
	500,231	408,325

22. OTHER PAYABLES AND ACCRUED EXPENSES

	At August 31, 2014 RMB'000	At August 31, 2013 RMB'000
Other tax payables	16,577	13,229
Payables for purchase of property, plant and equipment	56,779	88,588
Miscellaneous expenses received from students (Note)	86,452	50,216
Deposits received from students	16,846	16,083
Accrued payroll	8,087	6,143
Prepayment from lessee	637	663
Accrued operating expenses	211	779
Accrued listing-related expenses	15,383	—
Accrued interest expenses	465	413
Payable for land use right	3,000	3,000
Other payables	13,711	9,493
	218,148	188,607

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

23. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	RMB'000
At September 1, 2012	9,057
Charge to profit or loss	5,290
At August 31, 2013	14,347
Charge to profit or loss	4,824
At August 31, 2014	19,171

The amount represents the deferred tax liabilities on the temporary differences arising from the services income earned by Beipeng Software from the Consolidated Affiliated Entities under the Contractual Arrangements.

24. BANK BORROWINGS

	At August 31,	
	2014 RMB'000	2013 RMB'000
Bank borrowings:		
— Secured	88,500	145,000
— Unsecured	135,000	130,000
	223,500	275,000
Carrying amounts repayable:		
— Within one year	223,500	215,000
— More than one year, but not exceeding two years	—	60,000
	223,500	275,000
Less: Amounts due within one year shown under current liabilities	223,500	215,000
	—	60,000
The exposure of bank borrowings:		
— Fixed rate borrowings	223,500	235,000
— Variable rate borrowings	—	40,000
	223,500	275,000

The Group has variable-rate borrowings which carry interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowing are as follows:

	Year ended August 31,	
	2014	2013
Effective interest rate:		
Variable-rate borrowings	—	6.30%–6.90%
Fixed rates borrowings	6.00%–6.90%	6.00%–7.87%

The secured bank borrowings are secured by the Group's property, plant and equipment and prepaid lease payments as set out in notes 14 and 15 respectively.

All of the borrowings are denominated in RMB which is the same as the functional currency of the corresponding group entities.

25. DEPOSIT RECEIVED IN RESPECT OF DISPOSAL OF PROPERTIES

On September 22, 2009, the Group signed a transfer agreement with an independent third party to transfer all the buildings and land use right in a campus of Dalian High School, with a total consideration of RMB110,000,000. The Group had received total deposits of RMB80,000,000 as at August 31, 2014 (2013: RMB70,000,000).

However, since due to certain authority approval from local government has not been obtained yet, the disposal has not been completed as at August 31, 2014. According to the supplementary agreement signed on November 1, 2013, if the authority approval could not be obtained and the disposal could not be completed by December 31, 2016, the transferee has the right to send termination notice to the Group to terminate the disposal transaction.

26. SHARE CAPITAL

	Number of shares '000	Amount US$'000	Shown in the financial statements as RMB'000
Ordinary shares of US$0.001 each Authorized			
At September 1, 2012, August 31, 2013 and 2014	179,000	179	1,271
Issued and fully paid			
At September 1, 2012, August 31, 2013 and 2014	72,000	72	511

27. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS

	Number of shares '000	Nominal amount US$'000
Redeemable convertible preferred shares of $0.001 each:		
Authorised		
Balance at September 1, 2012, August 31, 2013 and 2014	21,000	21
Issued and fully paid		
Balance at 1 September 1, 2012, August 31, 2013 and 2014	18,000	18

On March 12, 2008, the Company issued 18,000,000 series A redeemable convertible preferred shares ("Series A Preferred Shares") at RMB10 (equivalent to US$1.41) per share for a total gross cash proceeds of RMB180,000,000 (equivalent to US$25,342,000) to Sequoia Capital China Growth Fund I, L.P., which subsequently transferred 1,926,000 and 370,800 Preferred Shares to Sequoia Capital China GF Principals Fund I, L.P. and Sequoia Capital China Growth Partners Fund I, L.P. (collectively referred to "Sequoia Capital China"), respectively on May 9, 2008.

On March 12, 2008, in conjunction with the issuance of Series A Preferred Shares, the Company issued 3,000,000 warrants to the holder of Series A Preferred Shares ("Warrants") to purchase 3,000,000 Series A Preferred Shares. The exercise price per share for the Warrants is RMB10, and the exercisable period is the period commencing on the grant date of the Warrants and ending on the date of consummation of a qualified initial public offering as agreed.

The significant terms of Series A Preferred Shares are as follows:

Redemption

The holder of the Series A Preferred Shares shall have the right, at any time and from time to time commencing from the fourth anniversary date of the Series A Preferred Shares issuance date, to require and demand the Company to redeem 100% of its Series A Preferred Shares. At the election of the holders thereof, the redemption price payable on each Series A Preferred Shares shall equal to the actual Series A Preferred Shares purchase price plus 8% per annum return for each year the Series A Preferred Shares was outstanding measured from the Series A Preferred Shares issuance date.

As agreed by the Company and the holders of the Series A Preferred Shares in June 2014, the Series A Preferred Shares would not be redeemed until December 31, 2015.

27. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS (continued)

Conversion

Each Series A Preferred Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of ordinary shares as is determined by dividing the original issue price by the conversion price RMB8.411477 (after the valuation adjustment) in effect on the date the certificate is surrendered for conversion. Each Series A Preferred Share shall automatically convert into ordinary shares upon (i) the election of a majority of the outstanding Series A Preferred Shares shareholders or (ii) the consummation of an underwritten public offering with a price per share of at least three times the purchase price and aggregate proceeds in excess of US$50,000,000.

Voting rights

Each holder of Series A Preferred Shares shall have the right to one vote for each ordinary share into which such Series A Preferred Shares could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of ordinary shares.

Dividend

The holders of Series A Preferred Shares shall be entitled to receive dividends upon any declaration or payment of any dividend on the ordinary shares of the Company. Such dividends shall not be cumulative. Any dividends or distributions shall be distributed among all holders of ordinary shares and Series A Preferred Shares in proportion to the number of ordinary shares that would be held by each such holder if all Series A Preferred Shares were converted to ordinary shares at the then effective conversion rate.

Liquidation preference

In the event of any liquidation, either voluntary or involuntary, the holders of Series A Preferred Shares shall be entitled to receive, prior and in preference to any distribution of the proceeds of such liquidation event to the holders of ordinary shares by reason of their ownership thereof, an amount per share equal to the sum of the original issue price (RMB10 per share) for the Series A Preferred Shares, plus declared but unpaid dividends on such share. All of the remaining proceeds available for distribution to shareholders shall be distributed pro rata among the holders of ordinary shares and Series A Preferred Shares on an as-converted basis.

27. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS (continued)

Liquidation preference (continued)

On January 15, 2014, the Company entered into a termination agreement with Sequoia Capital China. Pursuant to the termination agreement, Sequoia Capital China agreed to terminate the Warrants with immediate effect and irrevocably release and discharge each other from all duties, obligations and liabilities conferred upon each of the parties under the Warrants. Each of the parties acknowledges and confirms that it has no claim or demand whatsoever against the other parties for any fees, expenses, costs or otherwise arising out of or in connection with the Warrants.

The Series A Preferred Shares are designated as a financial liability at FVTPL on initial recognition. The Series A Preferred Shares and the Warrants are measured at fair value with changes in fair value recognised in the profit and loss.

The Series A Preferred Shares and Warrants were valued at fair value by the Company with reference to an independent valuation provided by American Appraisal China Limited ("American Appraisal"), an independent firm of professional valuers not connected with the Group, who has appropriate qualification and recent experience of valuation of similar financial instrument. Its address is 13/F, On Hing Building, 1 On Hing Terrace, Central, Hong Kong.

The fair value of equity value at August 31, 2014 and 2013 was determined by using valuation technique of discounted cash flow analysis. The fair value of equity value is then considered for the lack of marketability. The fair value of the Series A Preferred Shares and warrants was determined by option pricing method. The present value of the estimated future cash flow is discounted at the weighted average cost of capital ("WACC") of 15% (2013: 15%).

No dividend was paid to the Series A Preferred Shares shareholders during the years ended August 31, 2014 and 2013.

27. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS (continued)

Liquidation preference (continued)

The assumptions and key parameters adopted for the valuation of the Series A Preferred Shares are as follows:

	At August 31,	
	2014	2013
Methodology	Option-pricing method	Option-pricing method
Estimated probability of the Series A Preferred Shares		
— for liquidation	5%	10%
— for redemption	5%	10%
— for conversion	90%	80%
Risk-free rate		
— for liquidation	0.64%	1.12%
— for redemption	0.64%	1.12%
Time to expiration (number of years)	0.17	1.08
Preferred shares dividend yield	0%	0%
Volatility		
— for redemption	37.90%	45.6%
— for liquidation	37.90%	45.6%

The assumptions adopted for the valuation of Series A Preferred Shares were as follows:

(a) The estimation of risk free rate is based on the yield to maturity of the PRC Government International Bond (or US Bond plus country risk spread, if PRC Government International Bond is not applicable) matured at time close to the initial public offerings timing as of valuation date.

(b) Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies.

27. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS (continued)

Liquidation preference (continued)

The fair value of the warrant was determined using Black-Scholes option pricing model. The assumptions and key parameters adopted for the valuation of the Warrants are as follows:

	January 15, 2014	August 31, 2013
Fair value per Series A Preferred Share as of valuation date (RMB)	22.51	21.19
Exercise price (RMB)	8.41	8.41
Risk free rate of interest	1.24%	1.12%
Dividend yield	0.0%	0.0%
Expected time to exercise (years)	0.50	1.10
Volatility	52.0%	45.6%

The assumptions adopted for the valuation of Warrants were as follows:

(a) The estimation of risk free rate is based on the yield to maturity of the PRC Government International Bond matured at time close to the initial public offerings timing as of valuation date.

(b) Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies.

27. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS (continued)

Liquidation preference (continued)

The movements of the Series A Preferred Shares and Warrants are set out below:

	Redeemable Convertible preferred shares RMB'000	Warrants RMB'000
At September 1, 2012	317,700	30,405
Changes in fair value recognised in profit or loss	63,720	8,410
At August 31, 2013	381,420	38,815
Changes in fair value recognised in profit or loss	91,812	3,695
Loss on modification of redeemable convertible preferred shares (note)	3,286	—
Gain on cancellation of warrants	—	(42,510)
At August 31, 2014	476,518	—

Note: The Company and the holders of the Series A Preferred Shares made an agreement in June 2014 that the Series A Preferred Shares would not be redeemed until December 31, 2015, and the effects of the modification on the fair value of the Series A Preferred Shares were recognised in loss on modification of redeemable convertible preferred shares.

28. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC 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 benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme for the year are disclosed in note 10.

29. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on April 1, 2008 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible directors, employees and consultant to subscribe for shares in the Company, up to a total of 3,000,000 shares.

Details of specific category of options are as follows:

Options type	Date of grant	Date of expiration	Shares granted	Vesting period	Exercisable period	Exercise price RMB	Fair value at grant date RMB
1st	Sep 1, 2008	Aug 31, 2018	1,520,000	Sep 1, 2008– Aug 31, 2012	Sep 1, 2009– Aug 31, 2018	10	2.43
2nd	Sep 1, 2009	Aug 31, 2018	320,000	Sep 1, 2009– Aug 31, 2013	Sep 1, 2010– Aug 31, 2019	10	2.79
3rd	Jun 2, 2014	Jun 2, 2024	1,275,000	Jun 2, 2014– the Listing Date	the Listing Date– Jun 2, 2024	10	11.19

29. SHARE-BASED PAYMENTS (continued)

The following table discloses movements of the Company's share options held by directors of the Company, employees and the consultants during the years ended August 31, 2014 and 2013:

For the year ended August 31, 2014

	Date of grant	Option type	Outstanding at 8/31/2013	Granted during the year	Forfeited during the year	Outstanding at 8/31/2014
Executive director						
Sherman Jen	Jun 2, 2014	3rd	—	300,000	—	300,000
Zhang Jingxia	Sep 1, 2008	1st	70,000	—	—	70,000
	Jun 2, 2014	3rd	—	80,000	—	80,000
Sutherland Colleen Dawn	Jun 2, 2014	3rd	—	30,000	—	30,000
James William Beeke	Jun 2, 2014	3rd	—	100,000	—	100,000
Non-executive director						
Howard Robert Balloch	Jun 2, 2014	3rd	—	100,000	—	100,000
Employees and consultants						
In aggregate	Sep 1, 2008	1st	1,155,000	—	(145,000)	1,010,000
	Sep 1, 2009	2nd	160,000	—	—	160,000
	Jun 2, 2014	3rd	—	665,000	—	665,000
Total			1,385,000	1,275,000	(145,000)	2,515,000
Exercisable at the end of the year						1,240,000

29. SHARE-BASED PAYMENTS (continued)

For the year ended August 31, 2013

	Date of grant	Option type	Outstanding at 8/31/2012	Granted during the year	Forfeited during the year	Outstanding at 8/31/2013
Executive director						
Zhang Jingxia	Sep 1, 2008	1st	70,000	—	—	70,000
Employees and consultants						
In aggregate	Sep 1, 2008	1st	1,185,000	—	(30,000)	1,155,000
	Sep 1, 2009	2nd	160,000	—	—	160,000
Total			1,415,000	—	(30,000)	1,385,000
Exercisable at the end of the year						1,353,000

Pursuant to the Scheme, the first and second option type granted shall be exercisable during the period from the vesting commencement date, which is same as the grant date (the "vesting commencement date") and ending on the expiry of the option period in the following manner:

(i) up to 20% of the option will be exercisable during the period from the vesting commencement date and ending on the date of expiration;

(ii) up to 40% of the option will be exercisable during the period from the first anniversary of the vesting commencement date and ending on the date of expiration;

(iii) up to 60% of the option will be exercisable during the period from the second anniversary of the vesting commencement date and ending on the date of expiration;

(iv) up to 80% of the option will be exercisable during the period from the third anniversary of the vesting commencement date and ending on the date of expiration; and

(v) up to 100% of the option will be exercisable during the period from the fourth anniversary of the vesting commencement date and ending on the date of expiration.

29. SHARE-BASED PAYMENTS (continued)

Pursuant to the Scheme, the third option type granted shall be fully exercisable upon the Listing Date and ending on the date of expiration.

The Binomial model has been used to estimate the fair value of the options. The following assumptions were used to calculate the fair value of share options granted at respective date of grant:

	Option types		
	1st	2nd	3rd
Fair value of ordinary share (RMB)	6.41	7.34	19.75
Exercise price (RMB)	10	10	10
Expected volatility	50%	51%	52%
Contractual option life	10	10	10
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	5.36%	4.43%	3.17%
Exercise multiple	2.0	2.0	2.0
Total estimated fair value of the options granted (RMB'000)	3,694	893	14,267

Note: Fair value of ordinary share and exercise price of option has not been adjusted for the effect of the capitalisation issue.

In calculating the fair value of the options, the following major assumptions were used:

(1) Risk-free interest rate

The risk-free interest rate for periods within the contractual life of the option is based on the yield to maturity of the PRC Government International Bond as of the grant date with maturity closest to the relevant option expiry date.

(2) Dividend yield

According to management, the Company planned to retain profit for corporate expansion and hence had no plan to distribute dividend in near future. As such, it is assumed that the dividend yield to ordinary shares during the expected life of the option should be zero.

29. SHARE-BASED PAYMENTS (continued)

(3) Expected volatility

Expected volatility is calculated with reference to the historical price volatility data of comparable companies.

(4) Contractual option life

The option life was the original contractual term.

(5) Exercise multiple

A ratio of the stock price to the contractual strike price at which point it is assumed that the option will be exercised prior to maturity.

(6) Exercise price

The exercise price of the option was determined by the board of directors.

(7) Fair value of ordinary share

The estimated fair value of ordinary shares as of the grant date was estimated by an independent valuation firm. It used the income approach/discounted cash flow method as the primary approach to derive the fair value of the Company's ordinary shares.

The Group recognised the total expense of RMB8,560,000 for the year ended August 31, 2014 (2013: RMB31,000), in relation to share options granted by the Company.

30. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 24, redeemable convertible preferred shares disclosed in note 27, bank balance and cash and equity attributable to equity holders of the Company, comprising capital, reserves and accumulated profits.

30. CAPITAL RISK MANAGEMENT (continued)

The directors of the Company 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 the issue of redeemable convertible preferred shares to strategic investors, raising of new debts as well as the redemption of the existing debts.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents and restricted bank deposits)	388,192	411,880
Available-for-sale investments	161,741	3,493
	549,933	415,373
Financial liabilities		
Liabilities measured at amortised cost	406,232	458,571
Redeemable convertible (see below) preferred shares	476,518	381,420
Warrants	—	38,815
	882,750	878,806

31. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

Financial liabilities designated as FVTPL — Redeemable convertible preferred shares

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Changes in fair value attributable to changes in credit risk recognised during the year (Note)	—	—
Difference between carrying amount and maturity amount		
At fair value	476,518	381,420
Amount payable at maturity	292,200	258,600
	184,318	122,820

Note: The redeemable convertible preferred shares of the Company are financial liabilities designated at FVTPL. The change in fair value was mainly due to the change in market risk factors. The fair value attributable to change in its credit risk is considered immaterial.

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivables, available-for-sale investments, bank balances and cash, restricted bank deposits, other payables, amounts due to related parties, redeemable convertible preferred shares, warrants, bank borrowings and other non-current liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company and the Company have bank balances, available-for-sale investments and amounts due to related parties which are denominated in foreign currencies. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of reporting period are as follows:

	At August 31,	
	2014 RMB'000	2013 RMB'000
USD		
Assets	7,742	4,549
HK$		
Assets	4,218	4,021
Liabilities	1,246	11,192

Sensitivity analysis

The Group is mainly exposed to the USD and HK$. The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in Renminbi against USD and HK$. 5% (2013: 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 their translation at the year end for a 5% (2013: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit before tax or increase in loss before tax and decrease in other equity where Renminbi strengthens 5% against USD and HK$ and a negative number below indicates an increase in profit before tax or decrease in loss before tax where RMB strengthens 5% (2013: 5%) against USD and HK$. For a 5% (2013: 5%) weakening of RMB against USD and HK$, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

	Years ended August 31,	
	2014	2013
	RMB'000	RMB'000
Profit or loss related to USD	387	227
Profit or loss related to HK$	(38)	(534)
Other equity related to HK$	187	175
	149	(359)

In the Company's directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure at the end of the reporting period does not reflect the exposure for either year.

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings and redeemable convertible preferred shares. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and bank borrowings (note 24 for details of bank borrowings) which carried at prevailing market interest rates And if necessary, the Group and the Company also regularly analyses its interest rate exposure by considering alternative financing, etc. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

At August 31, 2014, the Group's borrowings carried interest at fixed interest rates. The sensitivity analysis for the year ended August 31, 2013 below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended August 31, 2013 will decrease/increase by RMB150,000. This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure at the end of the reporting period does not reflect the exposure for either year.

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities, redeemed convertible preferred shares and warrants. The management manages the exposure to equity price risk of investments in listed equity securities by maintaining a portfolio of investments with different risks. The Group's equity price risk relating to available-for-sale investments is mainly concentrated on investment in companies operating in telecommunication and finance industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks relating to available-for-sale investments at the end of each reporting date.

If the price of the respective equity instruments had been 5% higher (2013: 5%), the potential effect on investment valuation reserve for the year ended August 31, 2014 would increase by RMB187,000 (2013: RMB175,000). If the price of the respective equity instruments had been 5% lower, assuming it is not a significant or prolonged decline in the fair value of that investment below its cost, the potential effect on the Group's investment valuation reserve for the year ended August 31, 2014 would decrease by RMB187,000 (2013: RMB175,000).

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Equity price risk (continued)

Sensitivity analysis (continued)

The Group's sensitivity analysis to redeemed convertible preferred shares and warrants is set out in note 31(c).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year end exposure at the end of the reporting year does not reflect the exposure for the either year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The credit risk on bank balances is limited because the counterparties are reputable financial institutions.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitors and maintains levels 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 Group relies on bank loans as a significant source of liquidity. In preparing the consolidated financial statements, the management of the Group has given careful consideration to the liquidity of the Group in light of the fact that the current liabilities exceed its current assets as at August 31, 2014 and have been taking steps to improve the liquidity of the Group. As set out in note 1, taking into account the financial resources of the Group, including the Group's unutilised banking facilities and the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, the directors of the Company consider the Group's liquidity risk is minimal.

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 and the Company 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.

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non derivative financial liabilities								
Other payables	–	176,788	–	–	–	–	176,788	176,788
Amounts due to related parties	–	3,544	–	–	–	–	3,544	3,544
Other non-current liabilities	–	–	–	–	1,500	900	2,400	2,400
Bank borrowings								
– fixed rate	6.35	71,097	1,624	155,047	–	–	227,768	223,500
At August 31, 2014		251,429	1,624	155,047	1,500	900	410,500	406,232
FVTPL								
Redeemable convertible preferred shares at August 31, 2014	8.00	–	–	–	292,200		292,200	476,518
Non derivative financial liabilities								
Other payables	–	167,380	–	–	–	–	167,380	167,380
Amounts due to related parties	–	13,491	–	–	–	–	13,491	13,491
Other non-current liabilities	–	–	–	–	1,500	1,200	2,700	2,700
Bank borrowings								
– fixed rate	6.68	41,271	2,142	140,587	61,691	–	245,691	235,000
– variable rate	6.30	210	40,210	–	–	–	40,420	40,000
At August 31, 2013		222,352	42,352	140,587	63,191	1,200	469,682	458,571
FVTPL								
Redeemable convertible preferred shares	8.00	258,600	–	–	–	–	258,600	381,420
Warrants	–	–	–	–	–	–	–	38,815
At August 31, 2013		258,600	–	–	–	–	258,600	420,235

31. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

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

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

Finance assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
	August 31, 2014	August 31, 2013			
1) Listed available-for-sale investments (see note 18)	Listed equity securities: — Telecom industry RMB1,532,000 — Finance industry RMB2,209,000	Listed equity securities: — Telecom industry RMB1,327,000 — Finance industry RMB2,166,000	Level 1	Quoted bid prices in an active market	—
2) Unlisted available-for-sale investments (see note 18)	Financial products issued by banks — RMB158,000,000	—	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at a rate that reflect management's best estimation of the expected risk level.	Expected future cash flow Expected recovery date Discount rates that correspond to the expected risk level
3) Redeemable convertible preferred shares (see note 27)	Liabilities — RMB476,518,000	Liabilities — RMB381,420,000	Level 3	Discounted cash flow analysis and option pricing method Key inputs: compound annual growth rate (the "CAGR") and WACC to determine the enterprise fair value, probability of automatic conversion, risk-free rate, time to expiration, dividend yield and volatility	— CAGR: 15.2% as at August 31, 2014 (2013: 15.0%); — Probability of automatic conversion: 90% as at August 31, 2014 (2013: 80%); — WACC: 15% as at August 31, 2014 (2013: 15%);
4) Warrants (see note 27)	N/A	Liabilities — RMB38,815,000	Level 3	Black Scholes option pricing model Key inputs: risk-free rate, expected time to exercise, fair value per Series A Preferred Share as of the valuation date, exercise price, dividend yield and volatility	— Fair value per Series A Preferred Shares as of the valuation date

31. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the redeemable convertible preferred shares and warrants are set out in note 27.

The Group recognised change in fair value on redeemable convertible preferred shares of RMB91,812,000 included in the profit or loss for the year ended August 31, 2014 (2013: RMB63,720,000). The Group recognised change in fair value on warrants of RMB3,695,000 included in the profit or loss for the year ended August 31, 2014 (2013: RMB8,410,000).

Fair value measurements and valuation processes

In estimating the fair value of the redeemable convertible preferred shares and warrants, to determine the appropriate valuation techniques and inputs for fair value measurements, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

In determining the fair value of redeemable convertible preferred shares, CAGR of 15.2% (2013: 15.0%), probability of automatic conversion of 90% (2013: 80%) and a WACC of 15% (2013: 15%) are used as of August 31, 2014. If CAGR was 0.5% (2013: 0.5%) higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase/decrease by approximately RMB18,900,000 as at August 31, 2014 (2013: RMB13,680,000). If probability of automatic conversion was 5% (2013: 5%) higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease/increase by approximately RMB4,050,000 as at August 31, 2014 (2013: RMB3,908,000). If WACC was 1% (2013: 1%) higher while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease by approximately RMB26,460,000 as at August 31, 2014 (2013: RMB21,832,000). If WACC was 1% (2013: 1%) lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase by approximately RMB31,320,000 as at August 31, 2014 (2013: RMB26,128,000).

In determining the fair value of warrants, the fair value per Series A Preferred Share of RMB21.19 are used as at August 31, 2013. If fair value per Series A Preferred Share was 5% higher/lower while all the other variables were held constant, the carrying amount of the warrants would increase/decrease by approximately RMB3,120,000 as at August 31, 2013.

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

There were no transfers between Level 1 and Level 2 for either year.

32. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Premises	**3,891**	3,625

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

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Within one year	**3,309**	3,843
In the second to fifth year inclusive	**5,529**	9,001
Over five years	**117**	321
	8,955	13,165

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

32. OPERATING LEASES (continued)

The Group as lessor

Property rental income earned during the year was RMB3,644,000 (2013: RMB3,755,000). The properties are expected to generate rental yields of 14% based on the cost on an ongoing basis. Certain of the properties held have committed tenants for the next 2 years.

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

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Within one year	3,137	3,484
In the second to fifth year inclusive	1,995	3,625
	5,132	7,109

33. CAPITAL COMMITMENTS

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	27,325	23,684

There was no capital commitments for which were authorised but not contracted for as at August 31, 2014 and 2013.

34. EVENT AFTER THE REPORTING PERIOD

On November 10, 2014, the Company approved the issuance of 906,600,668 shares standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as a result of the global offering of the shares of the Company under the capitalisation issue on or around the Listing Date.

35. RELATED PARTY TRANSACTIONS AND BALANCES

The following balances were the amounts due to related parties:

Name of related parties	Year ended August 31, 2014 RMB'000	2013 RMB'000
Sherman Jen	3,344	13,291
Mrs. Ren Shu'e (i)	200	200
	3,544	13,491

(i) Mrs. Ren Shu'e, the sister of Mr. Sherman Jen, has equity interest in Dalian Educational Group.

The amounts due to related parties are unsecured, interest free and repayable on demand.

Compensation of key management personnel

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

	At August 31, 2014 RMB'000	2013 RMB'000
Short-term benefits	5,385	4,604
Post-employment benefits	14	11
Share-based payments	4,633	—
	10,032	4,615

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Non-Current Assets		
Investments in subsidiaries	192,696	192,696
Available-for-sale investments	—	3,493
	192,696	196,189
Current Assets		
Other receivables	2,465	—
Bank balances and cash	5,684	1,968
Available-for-sale investments	3,741	—
	11,890	1,968
Current Liabilities		
Other payables and accrued expenses	8,372	126
Amounts due to subsidiaries	16,665	10,151
Redeemable convertible preferred shares	—	381,420
Warrants	—	38,815
	25,037	430,512
Net Current Liabilities	(13,147)	(428,544)
Total Assets Less Current Liabilities	179,549	(232,355)
Capital And Reserves		
Share capital (Note 26)	511	511
Reserves (Note)	(297,480)	(232,866)
	(296,969)	(232,355)
Non-Current Liabilities		
Redeemable convertible preferred shares	476,518	—
	476,518	—
	179,549	(232,355)

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Movement in reserves is as follows:

	Share premium RMB'000	Investment valuation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At September 1, 2012	24,940	63	3,994	(189,999)	(161,002)
Other comprehensive income for the year	—	316	—	—	316
Loss for the year	—	—	—	(72,211)	(72,211)
Total comprehensive income (expense) for the year	—	316	—	(72,211)	(71,895)
Share-base payments	—	—	31	—	31
At August 31, 2013	24,940	379	4,025	(262,210)	(232,866)
Other comprehensive income for the year	—	249	—	—	249
Loss for the year	—	—	—	(73,423)	(73,423)
Total comprehensive income (expense) for the year	—	249	—	(73,423)	(73,174)
Share-based payments	—	—	8,560	—	8,560
At August 31, 2014	24,940	628	12,585	(335,633)	(297,480)

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at August 31 2014	2013	Principal activities
Maple BVI	April 28, 1992 BVI	USD500,000	100%	100%	Investment holding
Dalian High School 大連楓葉國際學校(Note iii)	April 15, 1996 The People's Republic of China (the "PRC")	USD5,000,000	100%	100%	High school education
Tech Global Investment Limited ("HK Tech")	June 7, 2007 Hong Kong	HK$5,000,000	100%	100%	Investment holding
Beipeng Software 大連北鵬教育軟件開發有限公司	March 10, 2008 The PRC	USD20,000,000	100%	100%	Technical support
Hong Kong Maple Leaf Educational Systems Limited ("Maple HK")	February 10, 2009 Hong Kong	HK$10,000,000	100%	100%	Investment holding
Dalian Junior 大連楓葉國際學校（民辦初中、小學）(Note iii)	September 3, 1996 The PRC	RMB8,500,000	100%	100%	Middle and elementary school education
Dalian Science and Education 大連楓葉科教有限公司	January 9, 2003 The PRC	RMB8,500,000	100%	100%	Investment holding

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at August 31 2014	2013	Principal activities
Dalian Educational Group 大連楓葉教育集團有限公司	May 23, 2003 The PRC	RMB140,000,000	100%	100%	Investment holding
Dalian Foreign School 大連楓葉外籍人員子女學校 (Note ii)	August 31, 2005 The PRC	nil	100%	100%	Education-related services
Dalian Maple Leaf Qianshan Xincheng Preschool 大連楓葉千山心城幼兒園	September 22, 2005 The PRC	RMB200,000	100%	100%	Preschool education
Shenyang Maple Leaf International School ("Shenyang Maple") (Note i) 瀋陽楓葉國際學校	December 14, 2005 The PRC	N/A	N/A	N/A	Inactive and deregistered
Wuhan Foreign School 武漢楓葉外籍人員子女學校(Note ii)	December 9, 2006 The PRC	nil	100%	100%	Education-related services
Dalian Maple Leaf Fengqiao Preschool 大連楓葉楓橋園幼兒園	August 31, 2006 The PRC	RMB200,000	100%	100%	Preschool education
Lanxi 大連楓葉蘭溪文苑幼兒園	June 1, 2007 The PRC	RMB200,000	100%	100%	Preschool education

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at August 31 2014	2013	Principal activities
Wuhan Maple Leaf International School 武漢楓葉國際學校	June 26, 2007 The PRC	RMB21,303,454	100%	100%	High school education
Dalian Maple Leaf Sunshine Preschool 大連楓葉陽光月秀幼兒園	March 24, 2008 The PRC	RMB500,000	100%	100%	Preschool education
Dalian Maple Leaf Jiabao Preschool 大連楓葉佳寶幼兒園	April 24, 2008 The PRC	RMB200,000	100%	100%	Preschool education
Tianjin Taida Maple Leaf International School 天津泰達楓葉國際學校	September 1, 2008 The PRC	RMB8,000,000	100%	100%	High, middle and elementary school education
Jinhai 大連楓葉金海幼兒園	April 1, 2009 The PRC	RMB100,000	100%	100%	Preschool education
Dalian Maple Leaf Xiangzhou Preschool 大連沙河口楓葉香洲心城幼兒園	April 10, 2009 The PRC	RMB200,000	100%	100%	Preschool education
Chongqing Maple Leaf International School 重慶楓葉國際學校	June 25, 2009 The PRC	RMB43,500,000	100%	100%	High and middle school education

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at August 31 2014	2013	Principal activities
Dalian Maple Leaf Kaifaqu Preschool 大連開發區楓葉幼兒園	December 10, 2009 The PRC	RMB200,000	100%	100%	Preschool education
Wuhan Maple Leaf School 武漢楓葉學校	June 24, 2010 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf Xianghe Huayuan Preschool 大連市甘井子區楓葉祥和花園幼兒園	December 3, 2010 The PRC	RMB200,000	100%	100%	Preschool education
Dalian Maple Leaf Zhonghua Mingcheng Preschool 大連西崗楓葉中華名城幼兒園	June 10, 2011 The PRC	RMB500,000	100%	100%	Preschool education
Zhenjiang Maple Leaf International School 鎮江楓葉國際學校	June 21, 2011 The PRC	RMB10,000,000	100%	100%	High, middle and elementary school education
Henan Maple Leaf International School 河南楓葉國際學校	April 26, 2012 The PRC	RMB2,010,000	100%	100%	High, middle and elementary school education

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group As at August 31 2014	2013	Principal activities
Inner Mongolia Erdos Maple Leaf International School 內蒙古鄂爾多斯楓葉國際學校	April 26, 2012 The PRC	RMB30,000	100%	100%	Middle and elementary school education
Mapleleaf International Academy	April 27, 2012 The Republic of Korea	Korea won 1,500,000,000	100%	100%	Education related services
Inner Mongolia Erdos Maple Leaf The first Preschool 楓葉第壹幼兒園	May 17, 2012 The PRC	RMB30,000	100%	100%	Preschool education
Shanghai Maple Leaf International School 上海楓葉國際學校	March 20, 2013 The PRC	RMB5,000,000	100%	100%	High and middle school education
Pingdingshan Maple Leaf International School 平頂山楓葉國際學校	January 20, 2014 The PRC	RMB1,000,000	100%	N/A	Middle and elementary school education

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Notes:

(i) Shenyang Maple has been inactive since establishment. Capital injection has not been completed since establishment. Its license to provide educational service expired on November 23, 2010 and its private non-enterprise registration certificate expired on December 13, 2011.

(ii) The registered capital of Dalian Foreign School and Wuhan Foreign School is nil as there is no capital requirement for foreign schools under the PRC laws and regulations.

(iii) Dalian Junior obtained the approval from Dalian Education Committee in September 1996, stating that Dalian Junior provides educational service of middle school and elementary school in the form of combination with Dalian High School. Dalian Junior obtained its own private non-enterprise registration certificate on July 17, 2013 and it had been accounted for together with Dalian High School till then.

(iv) Except for HK Tech, Maple HK and Maple BVI which are directly held by the Company, all subsidiaries are indirectly held by the Company.

(v) The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these companies are in Chinese.

(vi) Except for Dalian High School and Beipeng Software, all subsidiaries established in the PRC are controlled by the Group through the contractual arrangements, details of which are set out in note 1.

(vii) The legal forms of Beipeng Software, Dalian Educational Group and Dalian Science and Education were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools not requiring for reasonable returns, including high schools, middle schools, elementary schools and preschools.

(viii) None of the subsidiaries have issued any debt securities at the end of reporting period.

Definitions

"Articles of Association"	the articles of association of our Company adopted on November 10, 2014 and effective from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"BC"	British Columbia, Canada
"BC-certified"	certified by the BCMOE
"BCMOE"	the Ministry of Education of British Columbia, Canada
"Beipeng Software"	Dalian Beipeng Educational Software Development Inc. (大連北鵬教育軟件開發有限公司), a company incorporated under the laws of the PRC on March 10, 2008 and an indirectly wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the Board of directors of our Company
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 906,600,668 Shares to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company on the Listing Date
"China" or "PRC"	the People's Republic of China and, except where the context requires otherwise and only for the purposes of this annual report, references to China or the PRC exclude Hong Kong, Macau and Taiwan; the term "Chinese" has a similar meaning
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from March 3, 2014, as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	China Maple Leaf Educational Systems Limited (中國楓葉教育集團有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on June 5, 2007 (*for identification purpose only)

Definitions

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities that we control through the Contractual Arrangements, namely, Dalian Education Group, Dalian Foreign School, and Wuhan Foreign School and the subsidiaries and affiliates controlled by those entities
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the Company, the Founder, Founder's Sister, Beipeng Software, Dalian Maple Leaf High School, Dalian Educational Group, Dalian Science and Education, Wuhan Foreign School and Dalian Foreign School, details of which are described in the section headed "Contractual Arrangements" in the prospectus
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and, in the context of this annual report, means collectively the Founder and Sherman Investment
"Dalian Educational Group"	Dalian Maple Leaf Education Group Co., Ltd (大連楓葉教育集團有限公司), a company incorporated under the laws of the PRC on May 23, 2003 and a consolidated affiliated entity of our Company
"Dalian Foreign School"	Dalian Maple Leaf Foreign Nationals School (大連楓葉外籍人員子女學校), an entity established under the laws of the PRC on May 1, 2004 and a consolidated affiliated entity of our Company
"Dalian Maple Leaf High School"	Dalian Maple Leaf International School (High School) (大連楓葉國際學校), a Sino-foreign joint venture private school between Sherman (Holdings) Limited and, initially, China Shijiazhuang Yanshan Textile Corporation Limited established under the laws of the PRC on April 15, 1996
"Dalian Science and Education"	Dalian Maple Leaf Science and Education Co., Ltd (大連楓葉科教有限公司), a company incorporated under the laws of the PRC on January 9, 2003 and a subsidiary of Dalian Educational Group

"Director(s)"	the director(s) of our Company from time to time
"Founder", "Mr. Sherman Jen" or "Mr. Jen"	Mr. Shu Liang Sherman Jen (任書良), a Canadian citizen and the founder, chairman and Co-CEO of our Company
"Founder's Sister"	Ms. Shu'E Ren (任書娥), a PRC citizen and the sister of the Founder
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company which prepared the Frost & Sullivan Report
"Frost & Sullivan Report"	the report, written by Frost & Sullivan as commissioned by the Company containing an analysis of the PRC education industry and other relevant economic and statistical data
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and International Placing
"Group," "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 33,400,000 Shares initially being offered for subscription in the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

Definitions

"International Placing"	the conditional placing of the International Placing Shares in the United States to QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong and elsewhere
"International Placing Shares"	the 300,600,000 Shares being initially offered for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed "Structure of the Global Offering" in the prospectus
"International Underwriters"	the underwriters of the International Placing
"Joint Global Coordinators"	BNP Paribas Securities (Asia) Limited and CLSA Limited
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	November 28, 2014, the date the Shares were listed on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Maple Leaf Educational Systems"	Maple Leaf Educational Systems Limited, a company incorporated under the laws of the BVI on April 28, 1992, and a wholly-owned subsidiary of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 50,100,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to, among other things, cover over-allocations in the International Placing, if any
"PBOC"	the People's Bank of China
"Post-IPO Share Option Scheme"	the share option scheme approved and adopted by our Company on November 10, 2014
"Preferred Shares"	the initial 18,000,000 redeemable convertible preferred shares with par value of US$0.001 each in the share capital of our Company issued in connection with the Pre-IPO investment
"Preferred Share Purchase Agreement"	the agreement entered into by the Company and Sequoia Capital China Growth Fund I, L.P. dated February 29, 2008, as amended on March 25, 2014, pursuant to which Sequoia Capital China Growth Fund I, L.P., subject to certain terms and conditions, agreed to subscribe for the Preferred Shares
"Pre-IPO Investment"	the pre-IPO investment in the Company undertaken by Sequoia Capital China pursuant to the Preferred Share Purchase Agreement
"Pre-IPO Share Option Scheme"	the share option scheme approved and adopted by our Company on April 1, 2008
"prospectus"	the prospectus dated November 18, 2014 issued in connection with the Hong Kong Public Offering
"QIB"	a qualified institutional buyer as defined in Rule 144A
"RMB" or "Reminbi"	Reminbi, the lawful currency of PRC
"Reporting Period"	the twelve-month period from August 31, 2013 to August 31, 2014

"RSU Scheme"	the scheme adopted by our Company to grant RSUs to our directors, executive officers, senior managers and employees and those of our Subsidiaries
"RSUs"	restricted share units
"Regulation S"	Regulation S under the U.S. Securities Act
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Scheme Shares"	the Shares to be issued to and held on trust by the Scheme Trustee pursuant to the RSU Scheme
"Scheme Trustee"	the trustee to be appointed to administer the RSU Scheme
"Sequoia Capital China"	collectively, Sequoia Capital China Growth Fund I, L.P., an exempted limited partnership registered in the Cayman Islands, Sequoia Capital China GF Principals Fund I, L.P., an exempted limited partnership registered in the Cayman Islands and Sequoia Capital China Growth Partners Fund I, L.P., an exempted limited partnership registered in the Cayman Islands
"Series A Warrant"	the warrant to purchase additional Preferred Shares entered into by the Company and Sequoia Capital China Growth Fund I, L.P. dated March 12, 2008, as amended on December 13, 2008 pursuant to the Preferred Share Purchase Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a par value of US$0.001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s) of the Company from time to time
"Sherman Investment"	Sherman Investment Holdings Limited, a company incorporated under the Laws of the BVI on April 13, 2007 and wholly-owned by the Founder
"State Council"	the State Council of the PRC
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance

"Subsidiary Entities"	the subsidiary entities of the Dalian Educational Group, including Dalian Maple Leaf International School (Dalian Middle School and Elementary School), Wuhan Maple Leaf International School, Henan Maple Leaf International School, Chongqing Maple Leaf International School, Tianjin Taida Maple Leaf International School, Inner Mongolia Ordos Maple Leaf International School, Shanghai Maple Leaf International School, Zhenjiang Maple Leaf International School, Wuhan Maple Leaf School, Pingdingshan Maple Leaf International School, Dalian Maple Leaf Qianshan Xincheng Preschool, Dalian Maple Leaf Sunshine Preschool, Dalian Maple Leaf Fengqiao Preschool, Dalian Maple Leaf Lanxi Wenyuan Preschool, Dalian Maple Leaf Jiabao Preschool, Dalian Maple Leaf Jinhai Preschool, Dalian Maple Leaf Xiangzhou Preschool, Dalian Maple Leaf Kaifaqu Preschool, Dalian Maple Leaf Xianghe Huayuan Preschool, Dalian Maple Leaf Zhonghua Mingcheng Preschool, Inner Mongolia Ordos Maple Leaf First Preschool and Dalian Science and Education
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Wuhan Foreign School"	Wuhan Maple Leaf Foreign Nationals School (武漢楓葉外籍人員子女學校), an entity established under the laws of the PRC on December 9, 2006 and a consolidated affiliated entity of our Company
"%"	percent

Glossary

"elementary schools"	schools that provide education for students in grade one through six
"ESL"	English as a second language
"high schools"	schools that provide education for students in grade 10 through grade 12
"international school"	a school that promotes education either by adopting a foreign curriculum or by following a national curriculum different from that of the school's country of residence
"K-12"	preschool to grade 12
"middle schools"	schools that provide education for students in grade seven through grade nine
"one-child policy"	China's population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions
"preschools"	educational establishments offering early childhood education to children prior to the commencement of compulsory education
"private schools"	schools which are not administered by local, provincial or national governments
"public schools"	schools administered by local, provincial or national governments
"SAT"	the Scholastic Assessment Test, a standardized test for most college admissions in the United States
"school year"	except for our preschools, the school year for all of our schools, which generally starts on 1 September of each calendar year and ends on 30 June of the next calendar year