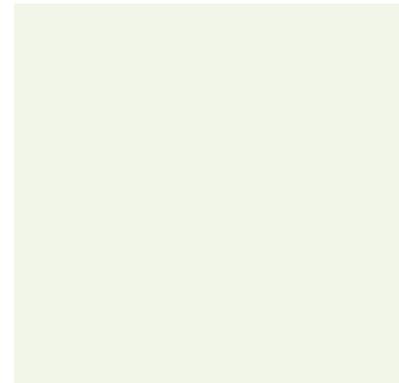
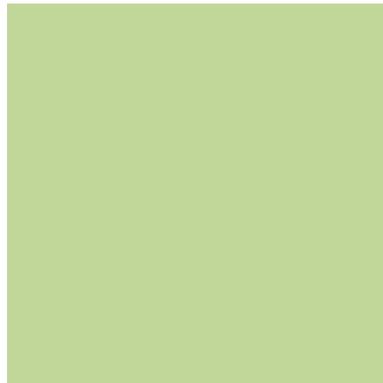


Annual Report
2016



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

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

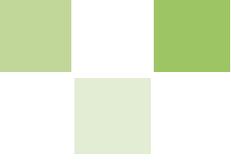
* For identification purposes only



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2016 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shu Liang Sherman Jen (*Chairman of the Board*)

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

Mr. Chi Hung Lau, ACIS, ACS

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang

Mr. Chi Hung Lau

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

LEGAL ADVISORS

As to Hong Kong law

MinterEllison

Leung & Lau, Solicitors

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

Room 1302,13/F.
Tai Tung Building
8 Fleming Road
Wanchai, 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

INVESTOR RELATIONS

Mr. Derek Lau (or full name of Mr. Chi Hung Lau)
Head of Investor Relations
Email: ir@mapleleaf.net.cn
Address: Room 1302, 13/F., Tai Tung Building
8 Fleming Road, Wanchai, Hong Kong

CORPORATE PROFILE

China Maple Leaf Educational Systems Limited (the “**Company**”), together with its subsidiaries (collectively the “**Group**”) is one of the leading international school operators, from preschool to grade 12 (“**K-12**”) education, in the People’s Republic of China (“**China**”) as measured by student enrolment.

Founded in 1995, the Group’s headquarters is located at Dalian, Liaoning Province, China. With over 21 years of educational experience in China, the Group provides a high quality K-12 education by combining the merits of both Western and Chinese philosophies in 14 cities in China, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Yiwu, Jingzhou, Pinghu, Xi’an and Huai’an.

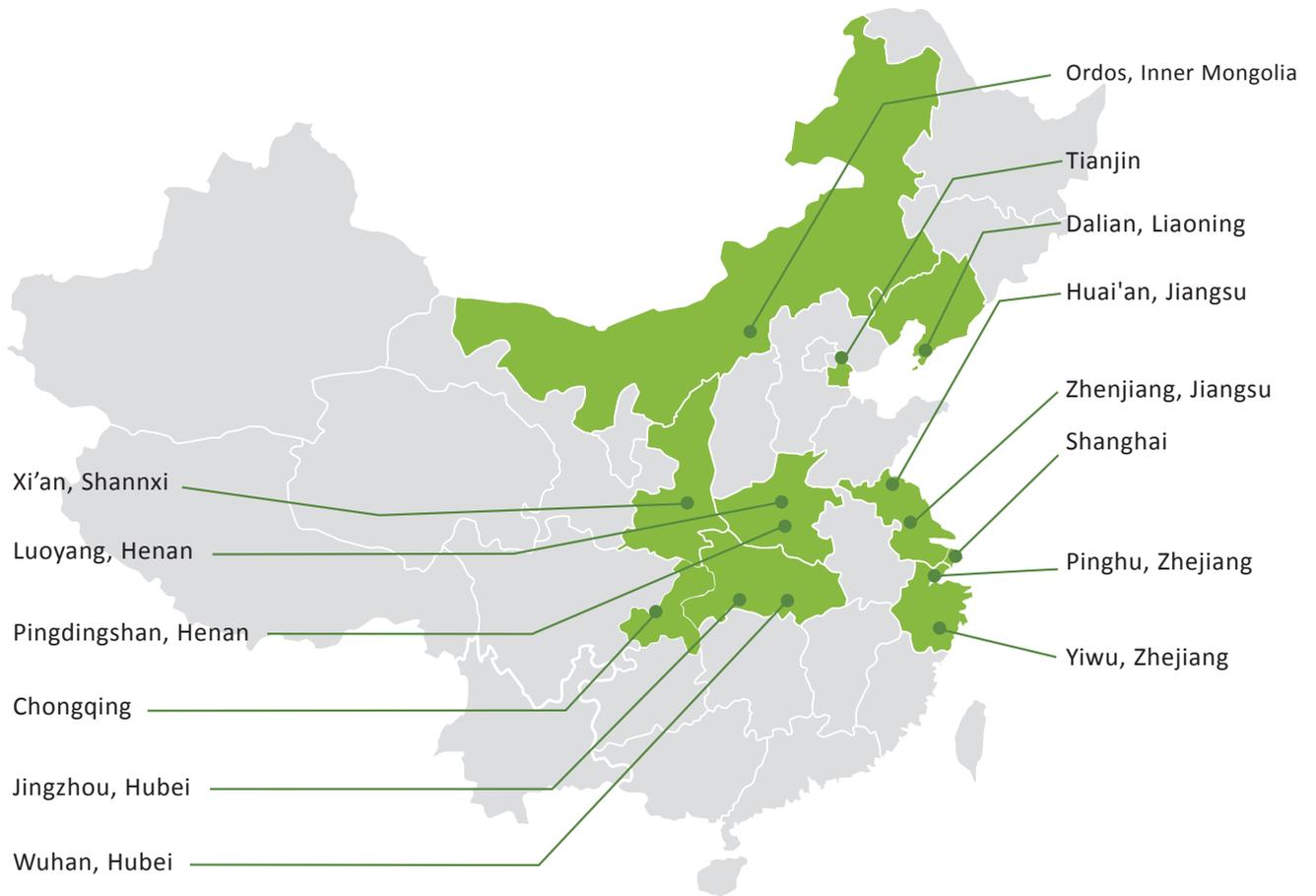
As at 30 September 2016, the Group had 20,581 students, 2,008 teachers. We currently have 56 schools of which 55 are located in China and 1 is located in Canada, comprising 9 high schools (for students in grade 10 to 12), 15 middle schools (for students in grade 7 to 9), 14 elementary schools (for students in grade 1 to 6), 15 preschools and 3 foreign national schools. Over 90% of our students are local Chinese mainly from middle class families and the rest are foreigners.

Our high schools are certified by both the Ministry of Education of British Columbia (“**BC**”), Canada and the local governments in China, where we offer a bilingual and dual-curriculum to our students. Our high school graduates receive both a fully accredited BC diploma and a China diploma. Furthermore, all our high schools with students enrolled in grade 10-12 have been accredited by AdvancED, the leading accreditation agency of schools in the United States of America. Our middle and elementary schools are providing Chinese compulsory education with English enhancement classes to our students. Currently, the Group employs approximately 350 BC-certified teachers.

During the year ended 31 August 2016, the Group first launched its Maple Leaf’s World Top 100 University Rankings (“**ML Rankings**”) based on international standards. The Group believes that ML Rankings is more suitable for students who aim to further study in English-instructing universities. For the year ended 31 August 2016, the Group had 1,422 high school graduates, 8 of whom received offers from top 10 universities, including Imperial College of London and University College of London, and more than 56% of whom received offers from top 100 universities according to ML Rankings.



OUR SCHOOL NETWORK IN CHINA



FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 August				2016 RMB'000
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	
Revenue	413,459	471,219	540,269	652,984	829,770
Cost of revenue	(222,342)	(268,751)	(305,148)	(354,277)	(428,029)
Gross profit	191,117	202,468	235,121	298,707	401,741
Profit before taxation	103,121	41,225	48,436	216,897	325,890
Profit for the year	93,968	33,182	40,036	205,546	307,564
Adjusted net profit (Note 1)	106,265	105,343	127,390	185,792	303,720
Basic earnings per share (RMB)	0.12	0.04	0.05	0.17	0.23

Profitability Margins	Year ended 31 August				2016
	2012	2013	2014	2015	
Gross profit margin	46.2%	43.0%	43.5%	45.7%	48.4%
Adjusted net profit margin	25.7%	22.4%	23.6%	28.5%	36.6%

Note 1

Adjusted net profit was derived from the profit for the year after adjusting for those items which are not indicative of the Group's operating performances, including (i) a change in fair value on redeemable convertible preferred shares ("Preferred Shares") issued to pre-IPO investors which were all converted to ordinary shares of the Company upon listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 28 November 2014 ("Listing") for the years ended 31 August 2012, 2013, 2014 and 2015, (ii) a loss on modification of Preferred Shares for the year ended 31 August 2014, (iii) a change in fair value of warrants issued to the holder of Preferred Shares ("Warrants") for the years ended 31 August 2012, 2013 and 2014, (iv) a gain on cancellation of Warrants for the year ended 31 August 2014, (v) expenses relating to the Listing for the years ended 31 August 2014 and 2015, (vi) a gain on disposal of assets classified as held for sale as disclosed in the Company's 2015 interim report for the year ended 31 August 2015, (vii) a government grant for the year ended 31 August 2016, (viii) a gain on disposal of available-for-sales investments for the year ended 31 August 2016, and (ix) share-based payments. In the Company's 2014 annual report, the amount of expenses relating to the Listing was not adjusted for calculating the adjusted net profit for the year ended 31 August 2014.

OPERATIONAL DATA

	At the end of school year				2015/2016
	2011/2012	2012/2013	2013/2014	2014/2015	
Total student enrollment	10,509	11,697	13,513	16,078	19,334
Total number of schools	22	28	33	40	46
Estimated total capacity for students	15,190	19,140	22,490	26,090	30,040
Overall utilisation rate	69.2%	61.1%	60.1%	61.6%	64.4%

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	At 31 August				
	2012	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,160,871	1,402,329	1,437,006	1,660,364	1,941,628
Current assets	309,519	425,559	570,699	1,155,639	1,284,696
Current liabilities	1,014,100	1,263,199	962,382	982,121	1,183,564
Net current assets / (liabilities)	(704,581)	(837,640)	(391,683)	173,518	101,132
Total assets less current liabilities	456,290	564,689	1,045,323	1,833,882	2,042,760
Total equity	384,233	417,642	467,234	1,812,294	2,021,485
Non-current liabilities	72,057	147,047	578,089	21,588	21,275
Total equity and non-current liabilities	456,290	564,689	1,045,323	1,833,882	2,042,760

Selected Major Items	At 31 August				
	2012	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	961,387	1,177,025	1,218,897	1,397,751	1,505,847
Bank balances and cash	297,036	409,303	380,332	1,022,141	1,237,902
Bank borrowings	170,000	275,000	223,500	–	–
Deferred revenue	357,475	408,325	500,231	660,138	802,848

Liquidity	At 31 August				
	2012	2013	2014	2015	2016
Gearing ratio (Note 2)	44.2%	65.8%	47.8%	–	–

Note 2

The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year.

FIVE-YEAR FINANCIAL SUMMARY

OPERATING CASH FLOWS

	2012 RMB'000	Year ended 31 August			2016 RMB'000
		2013 RMB'000	2014 RMB'000	2015 RMB'000	
Net cash from operating activities	216,782	250,274	313,253	444,039	532,877

CAPITAL EXPENDITURES

	2012 RMB'000	Year ended 31 August			2016 RMB'000
		2013 RMB'000	2014 RMB'000	2015 RMB'000	
Payments for property, plant and equipment	93,306	200,135	110,765	212,259	146,713

DIVIDEND PER SHARE

	2012 HK\$	Year ended 31 August			2016 HK\$
		2013 HK\$	2014 HK\$	2015 HK\$	
Interim dividend	–	–	–	0.025	0.042
Final dividend	–	–	–	0.043	0.058
Special dividend	–	–	–	0.027	–
Total	–	–	–	0.095	0.100

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the board of directors (the “**Board**”) of China Maple Leaf Educational Systems Limited (the “**Company**”), I am pleased to present the annual report comprising the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 August 2016.

KEY ACHIEVEMENTS

During the year ended 31 August 2016, the Group entered into a collaboration with Thompson Rivers University (“**TRU**”), a public teaching and research university located in Kamloops, British Columbia (“**BC**”) to open a bilingual high school on TRU’s campus leased from TRU in September 2016. Grade 12 graduates of Maple Leaf University School – TRU will receive a BC diploma.

In July 2016, the Group entered into an agreement to purchase the entire issued share capital of Lucrum Development (Singapore) Pte. Limited (“**Lucrum Development**”) from an independent third party for a maximum cash consideration of 68 million Singapore dollars. The principal asset of Lucrum Development is a school property in Singapore which is currently leased to an independent third party international school operator. We intend to open our first bilingual, bi-cultural Maple Leaf school in Singapore, subject to the school property becoming vacant and the necessary licences having been obtained from the relevant authorities in Singapore.

The transaction was completed on 6 September 2016.

We first launched our Maple Leaf’s World Top 100 University Rankings (“**ML Rankings**”) based on international standards during the year ended 31 August 2016. The Group believes that ML Rankings is more suitable for students who aim to further study in English-instructing universities.

Seven of our high schools providing grade 10 to 12 programs in China have passed all on-site inspections by AdvancED which is a non-profit school accreditation body based in the United States of America. AdvancED is one of the largest school accreditation bodies in the world and the AdvancED accreditation is backed by a set of standards on student performance and quality of education recognised by educational institutions around the world.

RESULTS AND DIVIDENDS

Our result performance for the year ended 31 August 2016 was encouraging. Total revenue reached RMB829.8 million, an increase of 27.1%. Profit for the year increased by 49.7% to RMB307.6 million whereas adjusted net profit for the year was RMB303.7 million, up 63.5%. The Board has resolved to recommend the payment of a final dividend of HK\$0.058 per share for the year ended 31 August 2016. Together with the interim dividend of HK\$0.042 per share, this will bring a total dividend of HK\$0.100 per share for the year ended 31 August 2016.

BUSINESS HIGHLIGHTS

The Group operates all of its schools under the “Maple Leaf” brand. Each school year generally starts from 1 September in each calendar year and ends on 30 June in the next calendar year. As at the end of the 2015/2016 school year, a total of 19,334 students were enrolled in 46 schools located at eleven cities in China, representing a growth of 20.3% compared with the student enrollment as at the end of the 2014/2015 school year. Revenue from tuition fees increased 25.3% to RMB694.8 million for the year ended 31 August 2016. According to our internal statistics, for the year ended 31 August 2016, the Group had 1,422 high school graduates,

CHAIRMAN'S STATEMENT

8 of whom received offers from top 10 universities and more than 56% of whom received offers from top 100 universities according to ML Rankings.

Subsequent to the year ended 31 August 2016, the total number of students enrolled as at 30 September 2016 (being the end of the first month in the first semester of the 2016/2017 school year) was 20,581, representing an increase of 15.2% compared with the student enrollment as at the end of the same month in 2015. Furthermore, a total of 10 schools and 3 new cities, namely Pinghu, Xi'an and Huai'an, were added to the Group's school network, giving the network a total of 55 schools located at 14 cities in China and 1 high school in Canada.

OUTLOOK

The overall target set in our fifth five-year plan for the 2015/2016 to the 2019/2020 school years (the "Fifth Five-Year Plan") is to reach total student enrollment of more than 40,000 by the end of the 2019/2020 school year. This student enrolment target remains unchanged.

Under our school development plan for the 2017/2018 and 2018/2019 school years, we will continue to build more middle and elementary schools in those second and third tier cities in China for providing feeders to our high schools located in nearby cities. This will help us establish a pyramid structure of student enrolment from elementary to high schools. In this regard, the asset light model by partnering with public or private entities remains our focused strategy. The Group will also consider opening schools in first tier cities in China such as Beijing and Shenzhen within the next two school years. Moreover, we will also explore some potential acquisition opportunities in China that will create a synergy with the Group and fit the educational philosophy of Maple Leaf. We expect that the Group will be able to achieve a target of running more than 70 schools in at least 20 cities in China by the end of the 2018/2019 school year and complete its national layout of school locations as set out in the Fifth Five Year Plan.

Apart from the expansion plan in China, the Board is of the view that overseas expansion is part of our long term growth strategies. We can see the growing demand for bilingual English and Chinese education

in other countries. Our students in China will benefit from a global presence of Maple Leaf brand schools.

The Board is confident to maintain the Group's leading position as an international school operator in China by combining the merits of both Western and Chinese educational philosophies.

SHARE AWARD SCHEME

The Board realizes the importance of the retention of and motivation for talent who plays important roles in the implementation of the Fifth Five-Year Plan. The Company has adopted, among other incentives, a restricted share award scheme ("**Share Award Scheme**") under which share awards will be granted to the directors, executive officers, senior management, employees and consultants of the Group aiming to attract and retain talent, recognize their contributions and align their interests with those of the shareholders. In July 2015, the trustee of the Share Award Scheme purchased a total of 31,080,000 shares of the Company on the market. During the year ended 31 August 2016, a total of 7,162,195 shares were granted from the Share Award Scheme of which 6,430,000 shares were granted to approximately 300 employees of the Group and 732,195 shares were granted to directors of the Company.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our students' parents, the local governments, and our shareholders for their continuing support. I also wish to thank our fellow Board members and senior management for their contributions and hard work during the year and extend my appreciation to our management, teachers and staff for their endeavors and commitments to provide high quality education.

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

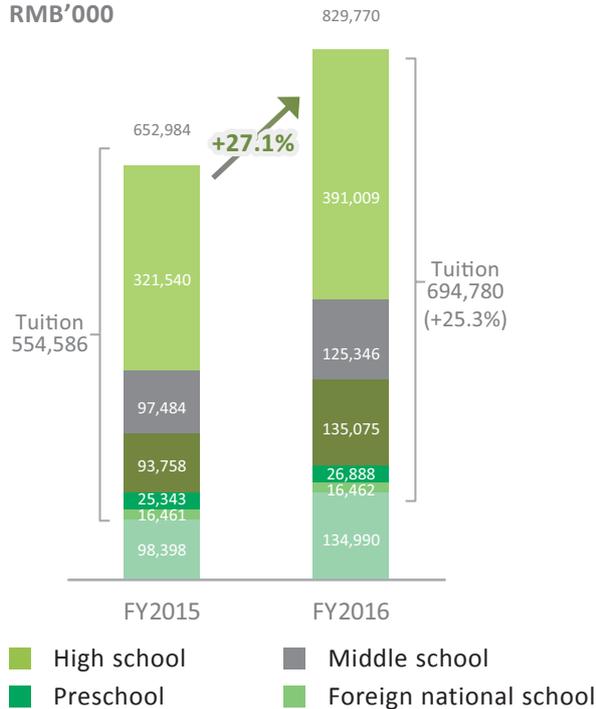
Hong Kong, 29 November 2016

FINANCIAL AND OPERATIONAL HIGHLIGHTS

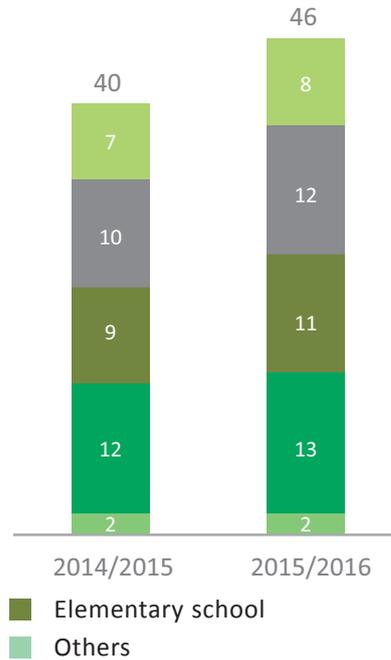
For the year ended 31 August 2016

REVENUE BY SEGMENT

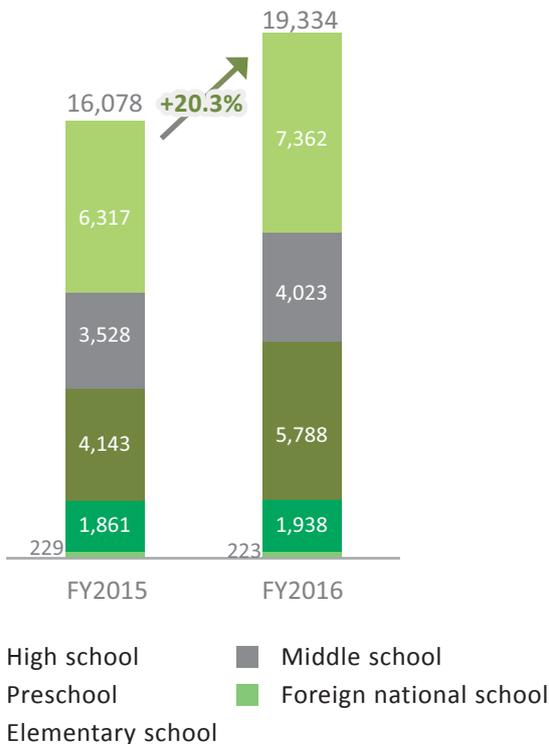
RMB'000



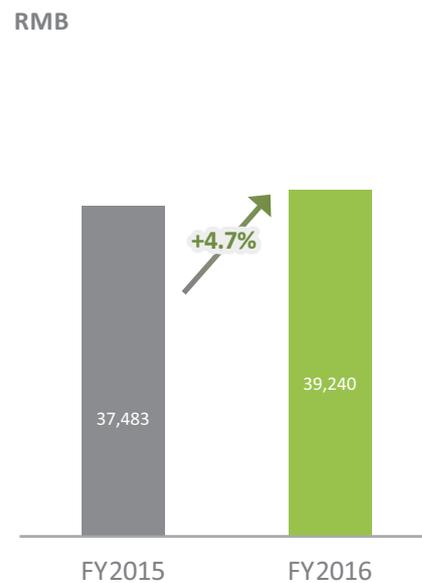
NUMBER OF SCHOOLS BY CATEGORY



STUDENT ENROLLMENT



AVERAGE TUITION FEE PER STUDENT



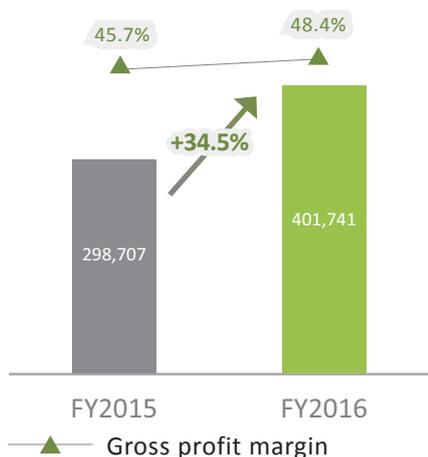
Calculated by dividing total tuition fees for the year over AVERAGE total student enrollment during the year

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the year ended 31 August 2016

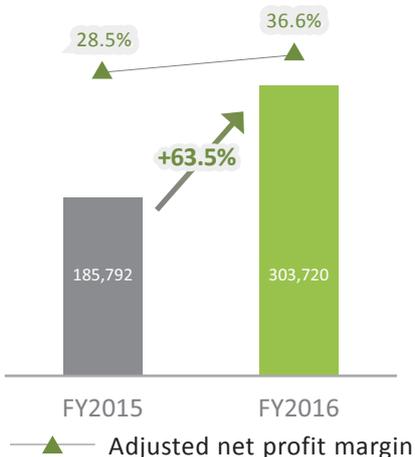
GROSS PROFIT AND MARGIN

RMB'000

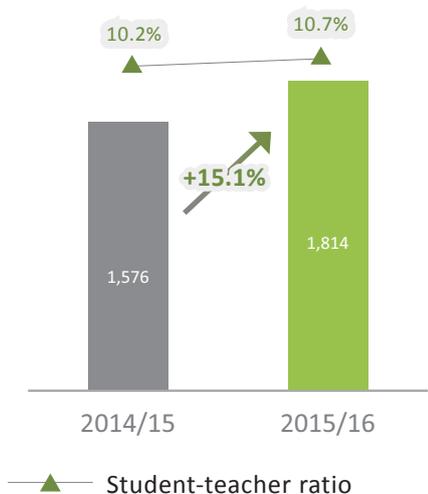


ADJUSTED NET PROFIT AND MARGIN

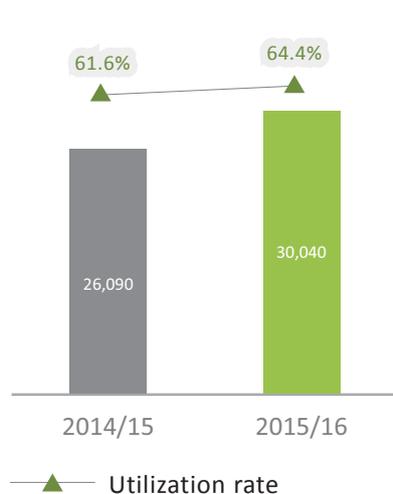
RMB'000

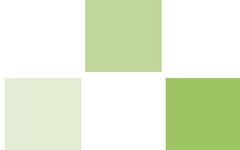


NUMBER OF TEACHERS



SCHOOL CAPACITY AND UTILIZATION





MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

A Pathway to Overseas Universities for Children of Middle Class Families in China

In China, many middle class parents nowadays are well-educated with an international vision and they consider studying in international schools as a pathway to overseas universities for their children. They realise the importance of an all-round education to the personal development of their children and hence an examination-oriented education system may not be a preferred route for their children. These parents generally consider international schools as putting more emphasis on critical thinking and the creativity of students and providing a joyful learning environment with pastoral care to their children.

Increasing Demand for Bilingual International Schools in China

Chinese parents generally believe that international schools in China that place a strong emphasis on teaching English can better prepare their children for an overseas education in English-speaking countries. They also realise the increasing influence of China on the international economy. They therefore believe that if their children receive a bilingual education in China, followed by university study in an English-speaking country, they will be well equipped with language skills which can open doors to better employment for them both in China and overseas.

Though China's economy shows some signs of slowing down, it is expected that this will not affect the desire of middle class parents to send their children to bilingual international schools because they generally believe that a quality education is an investment in the future of their children.

Classification of International Schools in China

International schools in China are generally divided into the following categories:

1. Foreign national schools are allowed to provide preschool to grade 12 ("K-12") education only to children of foreign nationals who have permits for residence in China and are not allowed to enroll children of Chinese nationals. The selection of curriculum is determined by the schools themselves. Foreign national schools may be established by foreign institutions, foreign invested enterprises established in China, branches of international organizations in China or foreign individuals residing in China.
2. Sino-foreign joint venture high schools or preschools in the form of cooperation between Chinese educational institutions and foreign educational institutions, which are primarily intended for children of Chinese nationals, are permitted to provide foreign curriculum. However, foreign investors can only invest in less than 50% of the total investment in such Sino-foreign joint venture.
3. Domestic Chinese-owned schools which are permitted to provide foreign curriculum at high schools (grade 10 to 12) are able to enroll children of both Chinese nationals and foreign nationals. These schools are also able to provide Chinese compulsory education at middle schools (grade 7 to 9) and elementary schools (grade 1 to 6), and preschool education as well.

Except for our foreign national schools and Dalian Maple Leaf International School (High School) which is a Sino-foreign joint venture private school, our schools are domestic Chinese-owned schools.

MANAGEMENT DISCUSSION AND ANALYSIS

Our Market Position

With over 21 years of operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, which offers a quality bilingual K-12 education by combining the merits of both Western and Chinese educational philosophies. Our high schools are certified by the Ministry of Education of British Columbia, Canada (“BC”) and the China government, allowing our graduates to receive both a fully accredited BC diploma and a China diploma. Furthermore, all our high schools with students enrolled in grade 10-12 have been accredited by AdvancED, the leading accreditation agency of schools in the United States of America. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes to our students.

Our schools charge affordable and competitive tuition fees. We target mainly Chinese students from middle class families in China who intend to study at overseas universities. The Group operates all of its schools under the “Maple Leaf” brand and most of them are located in second and third tier cities in China.

BUSINESS REVIEW

The 2015/2016 school year was the first year of the Group’s fifth five-year plan for the 2015/2016 to 2019/2020 school years (“Fifth Five-year Plan”). At the end of the 2015/2016 school year, the Group’s student enrollment was 19,334, being approximately 6% above the target student enrollment set for the 2015/2016 school year under the Fifth Five-year Plan.

During the year ended 31 August 2016, the Group first launched its Maple Leaf’s World Top 100 University Rankings (“ML Rankings”) based on international standards. The Group believes that ML Rankings is more suitable for students who aim to further study in English-instructing universities. For the year ended 31 August 2016, the Group had 1,422 high school graduates, 8 of whom received offers from top 10 universities, including Imperial College of London and University College of London, and more than 56% of whom received offers from top 100 universities according to ML Rankings.

Revenue

	Year ended 31 August			
	2016 RMB’000	% of Total	2015 RMB’000	% of Total
Tuition fees				
– High school	391,009	47.1	321,540	49.2
– Middle school	125,346	15.1	97,484	14.9
– Elementary school	135,075	16.3	93,758	14.4
– Preschool	26,888	3.2	25,343	3.9
– Foreign national school	16,462	2.0	16,461	2.5
	694,780	83.7	554,586	84.9
Textbook	34,343	4.1	27,600	4.2
Summer and winter camps	38,882	4.7	35,118	5.4
Other educational services	36,083	4.4	31,474	4.8
Others	25,682	3.1	4,206	0.7
Total	829,770	100	652,984	100

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 August 2016, tuition fees remained a major revenue contributor. The proportion of high school tuition fees for the year ended 31 August 2016 decreased but the respective proportion of elementary and middle school tuition fees increased, due largely to the revenue contribution from the new openings of 2 elementary schools and 2 middle schools in the 2015/2016 school year.



Tuition fees generally include boarding fees, which are mainly paid in advance prior to the beginning of each school year and are initially recorded as deferred revenue. Tuition fees are recognized as revenue proportionately over the relevant school year. For the 2015/2016 school year, our high schools charged tuition fees generally ranging between RMB49,000 and RMB81,000. Total tuition fees increased by RMB140.3 million or 25.3%, primarily due to an increase in student enrollment and an increase in the tuition fee rates charged for the new students who enrolled in certain schools for the 2015/2016 school year.

Revenue from others increased by RMB21.5 million, primarily due to an increase in revenue from self-operated supermarkets and an increase in fees from the management of cafeterias in our schools.

Student Enrollment

	At the end of school year			
	2015/2016	% of Total	2014/2015	% of Total
High school	7,362	38.1	6,317	39.3
Middle school	4,023	20.8	3,528	21.9
Elementary school	5,788	29.9	4,143	25.8
Preschool	1,938	10.0	1,861	11.6
Foreign national school	223	1.2	229	1.4
Total number of students enrolled	19,334	100	16,078	100

Total number of students enrolled at the end of the 2015/2016 school year increased by 3,256, or 20.3%, of which 6.5% growth came from the new schools opened in the 2015/2016 school year while the remaining growth came from other schools.

At the end of the 2015/2016 school year, the proportion of high school students decreased while the aggregate proportions of middle school and elementary school students increased largely due to the additions of two middle schools and two elementary schools in the 2015/2016 school year.

MANAGEMENT DISCUSSION AND ANALYSIS

Average Tuition Fee per Student

	For the year ended 31 August	
	2016	2015
Tuition fees (RMB'000)	694,780	554,586
Average student enrollment*	17,706	14,796
Average tuition fee per student# (RMB'000)	39.2	37.5

* Average student enrollment is calculated as the average of the total number of students enrolled at the end of two consecutive school years.

Average tuition fee per student is calculated by dividing tuition fees for the year ended 31 August of the relevant year over average student enrollment.

Average tuition fee per student increased by approximately 4.7%, primarily due to the increment of tuition fee rates for the new students enrolled in our elementary, middle and high schools in Dalian and our high schools in Wuhan and Chongqing during the 2015/2016 school year.

Our Schools

6 new schools were added in our school network for the year ended 31 August 2016, including a high school, a middle school and an elementary school in Yiwu, Zhejiang Province, a middle school and an elementary school in Jingzhou, Hubei Province and a preschool in Chongqing.

As at 31 August 2016, the Group had 46 schools located in 11 cities located in China, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou and Yiwu. The following table shows a summary of our schools by category as at the end of the two financial years:

	As at 31 August	
	2016	2015
High schools	8	7
Middle schools	12	10
Elementary schools	11	9
Preschools	13	12
Foreign national schools	2	2
Total	46	40

MANAGEMENT DISCUSSION AND ANALYSIS

Utilization of Our Schools

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



	As at the end of school year	
	2015/2016	2014/2015
Total number of students enrolled	19,334	16,078
Total capacity	30,040	26,090
Overall utilization	64.4%	61.6%

Total capacity for students increased primarily due to the addition of 6 new schools at the commencement of the 2015/2016 school year. The improvement in the overall utilization rate was largely due to the improvement of utilization rate of certain school locations including Chongqing, Wuhan, Shanghai and Tianjin (Huayuan).

Our Teachers

	As at the end of school year	
	2015/2016	2014/2015
Total number of teachers	1,814	1,576

Our student-teacher ratio remained relatively stable for both the 2015/2016 and 2014/2015 school years, which was below 11:1. The total number of teachers increased mainly because more PRC-certified teachers were recruited primarily for the new openings of 2 elementary schools and 2 middle schools in the 2015/2016 school year. As at the end of the 2015/2016 school year, we had approximately 350 BC-certified teachers (2014/2015 school year: 314).

In the 2015/2016 school year, there was no material increase in the salary rates of our teachers.

MANAGEMENT DISCUSSION AND ANALYSIS

RECENT BUSINESS UPDATE

Growth in Student Enrollment as at 30 September 2016

	As at 30 September 2016	2015	Change	Percentage Change
Total number of students enrolled	20,581	17,864	+2,717	+15.2%

The financial year of the Group ends on 31 August each year, while its school year normally runs from 1 September each year to 30 June in the next year and each school year is divided into two semesters. The number of students enrolled may vary from time to time in each school year. The above student enrolment numbers as at of 30 September represent unaudited internal statistics of the total number of students enrolled at the end of the first month of the first semester in the relevant school year for comparison purpose only. According to prior experience, the Group expects student enrollment to further increase in the second half of the 2016/2017 school year because some new students will generally be admitted in the second semester.

Increase in Tuition Fees

With effect from the 2016/2017 school year, the Group raised the tuition fee rates for new students who enrolled at 8 schools namely i) the high school in Shanghai, ii) the high school, the middle school and the elementary school in Tianjin (Taida), iii) the middle school and the elementary school in Tianjin (Huayuan) and iv) the middle school and the elementary school in Wuhan. The relevant tuition fee rate increments ranged from approximately 23.5% to 31.8%.

New Schools Opened in China in September 2016

In September 2016, the Group opened the following 9 new schools in China:

City	Number of schools	Category of schools	Estimated Student Capacity
Pinghu, Zhejiang Province	3	Middle school, elementary school and preschool	2,000
Xi'an, Shannxi Province (Phase 1)	2	Middle school and elementary school	2,000
Huai'an, Jiangsu Province	2	Middle school and elementary school	500
Tianjin (Kaifaqu)	1	Preschool	150
Yiwu, Zhejiang Province	1	Foreign national school	400

Except the schools in Pinghu which were self-developed, other schools were developed under an asset light model.

MANAGEMENT DISCUSSION AND ANALYSIS

The First High School Opened in Canada in September 2016

In collaboration with Thompson Rivers University (“TRU”) located in Kamloops, British Columbia, the Group opened a high school, namely Maple Leaf University School – TRU, on a designated area of TRU’s campus leased from TRU in September 2016, with access to selected services and facilities such as science labs, the gymnasium, the library, internet service, computer labs and cafeterias. Grade 12 graduates of Maple Leaf University School – TRU will receive a BC diploma.



The Board believes that setting up a high school in Canada will increase the educational options available to the Group’s students and enlarge the Group’s global reach of its “Maple Leaf” brand, which may enhance student placement for the Group’s schools in China. The establishment of Maple Leaf University School – TRU will not only benefit the Group and its students from China, but also TRU and the Kamloops community as a whole as the introduction of this innovative dual-credential program at Maple Leaf University School – TRU can potentially attract professionals and families from other parts of Canada to Kamloops.

Acquisition in Singapore

On 23 July 2016, the Group entered into an agreement to acquire the entire issued share capital of Lucrum Development (Singapore) Pte. Limited (“**Lucrum Development**”) from an independent third party (the “**Acquisition**”) for a maximum cash consideration of 68 million Singapore dollars (“**S\$**”). The Acquisition was completed on 6 September 2016 at a final consideration of S\$67.3 million (equivalent to approximately RMB330.8 million) which was fully settled by bank borrowings denominated in S\$.

The principal asset of Lucrum Development (subsequently renamed as Maple Leaf Education Hillside Pte. Limited) is a school property located at 11 Hillside Drive in Singapore with a site area of 7,568.6 sq.m (the “**School Property**”) which is currently leased to an independent third party K-12 school operator (the “**Tenant**”) at a monthly rent of S\$200,000 under a lease agreement (the “**Lease Agreement**”). Pursuant to the Lease Agreement, the existing lease will expire on 31 October 2017 and is subject to two consecutive options to renew for a further term of three years each, to be exercised by the Tenant in accordance with the terms of the Lease Agreement, each renewal being subject to an increase of up to 10% in the monthly rent.

Subject to the School Property becoming vacant and the necessary licences having been obtained from the relevant authorities in Singapore for the operation of a foreign system school, the Group intends to open its first bilingual, bi-cultural Maple Leaf school in Singapore on the School Property. The Board is of the view that the Acquisition is beneficial to the Group because it provides a rare opportunity for the Group to expand into Singapore and further expand its school network outside the PRC. Singapore has a large expatriate population and a strong reputation for high quality education. For details of the Acquisition, please refer to the Company’s announcement dated 25 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE DEVELOPMENT

The Fifth Five-Year Plan from 2015/2016 to 2019/2020 School Years

The school year of 2016/2017 is the second year of the Group's Fifth Five-year Plan. In order to achieve the target student enrolment of over 40,000 by the end of the 2019/2020 school year under the Fifth Five-year Plan, we will continue to work towards our strategic expansion from stand-alone schools to educational parks and from educational parks to school districts in China. We expect that the Group will be able to have about 70 schools in 20 cities or more in China and complete its Fifth Five-year Plan's layout by the end of the 2018/2019 school year.

The Group has established a new holding company in the Group in order to accelerate the development of certain industries which are relevant to the basic necessities of our students, including but not limited to operations of supermarkets and cultural shops inside our schools, and the sale of uniform and bottled mineral water. The Group expects that the development of these businesses will deliver more comprehensive services to our students as well as increase the revenue incidental to the Group's fundamental education.

Expansion Strategies

The Group will continue to adopt multiple expansion strategies including but not limited to building more asset light schools, acquisitions of schools with synergy to the Group and an expansion of certain self-owned school campuses with high utilisation rates.

Expansion of Student Capacity for Self-owned School Campuses

Driven by strong student placement, the overall utilization rate of each of the Wuhan, Tianjin (Taida) and Chongqing campuses was over 90% as at 30 September 2016. Accordingly, the Group intends to complete the construction of additional dormitories and teaching buildings on the relevant campuses before the commencement of the 2017/2018 school year in order to expand the corresponding capacity for students.

New Schools' Development under Pipeline in China

Under our current expansion plan, we will endeavour to ensure that the following 13 schools, which are under asset light development by partnering with local public or private entities, will be opened in the 2017/2018 school year:

City	Number of schools	Category of schools	Estimated Student Capacity
Huzhou, Zhejiang Province	3	Middle school, elementary school and preschool	1,500-1,800
Weifang, Shandong Province	3	Middle school, elementary school and preschool	1,800-2,000
Chongqing (Liangping)	3	Middle school, elementary school and preschool	1,800
Yancheng, Jiangsu Province (Phase 1)	2	Elementary school and preschool	750
Xi'an, Shannxi Province (Phase 2)	2	High school and foreign national school	1,500-2,000

MANAGEMENT DISCUSSION AND ANALYSIS

Apart from the phase 2 development in Yancheng, the Group is also under negotiations with local governments or other entities for opening more asset light schools in Shijiazhuang city of Hebei Province, Xiantao Data Valley in Chongqing and another location in Dalian city in the school year of 2018/2019 or thereafter. In addition, the Group is planning to open schools in first tier cities such as Beijing and Shenzhen and is exploring some potential opportunities.

Overseas Expansion

Overseas expansion is part of the Group's long term growth strategies. We believe that a global presence of Maple Leaf brand schools will definitely help our student placement in China as Chinese parents would consider Maple Leaf as being able to offer more school options for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also in other regions such as North America and South East Asia. Accordingly, the Group will explore any opportunities for opening more Maple Leaf brand bilingual schools in overseas countries or regions such as Canada and Hong Kong by blending the best of Western and Chinese cultures.

Teacher and Principal Preparation Programs

Ensuring an adequate supply of quality teachers and principals is a critical element for success in our expansion process. In this regard, the Group has maintained strategic cooperative collaborations with several well-known universities in China, including Beijing Normal University, Northeast Normal University, Central China Normal University, Beijing Foreign Studies University and Wuhan University, from which our schools recruit certain of their graduates with outstanding performance as our trainee teachers. These excellent trainee teachers will be trained to be our PRC-certified teachers and future principals in our Principal Preparation Program.

In collaborations with TRU and Lakehead University in Canada, certain graduates from our high schools who meet university requirements will be trained to earn their university degrees and the BC teacher's certificates. These graduates will be recruited and compensated by our high schools as BC-certified teachers once they obtain the required qualifications. This will provide an additional source of BC-certified teachers to meet the future demand from our high schools.

Conclusion

With the support of its dedicated management team, the Group is confident that it is able to maintain its leading position as a K-12 international school operator in China, expand its school network outside China and provide quality educational services to the society.



MANAGEMENT DISCUSSION AND ANALYSIS

OTHER UPDATES

Revised law for promoting private education in China

Under the revised law for promoting private education in China which will be effective on 1 September 2017, the sponsors (equivalent to shareholders) of private schools are allowed to establish schools for profit or schools for non-profit but all schools providing compulsory education (i.e. grade 1 to grade 9 education) must be schools for non-profit. The operating balances of schools for non-profit shall not be distributed to their sponsors and shall be used for school operation. This will be conducive to developing private schools with their own characteristics. We are of the view that the revised law for promoting private education in China will not constitute a legal obstacle for the current operating models of our middle schools and elementary schools. We will put more efforts on developing middle schools and elementary schools with their own characteristics after the new law becomes effective and will provide quality services to our middle school and elementary school students at equivalent value. The increasing support given by the government to schools for non-profit under the revised law for promoting private education in China will help to promote the future development of our middle schools and elementary schools. Currently, all our schools including middle and elementary schools providing compulsory education are not requiring reasonable return and cannot distribute their profit to their sponsors (equivalent to shareholders).

Agreements with two consultants

As was disclosed in the Company's announcements dated 9 June 2015 and 17 July 2015 and the Company's circular dated 5 August 2015 (the "**Circular**"), the Company engaged Dingxianghui (Beijing) Investment Management Co., Ltd. ("**Dingxianghui**") as the Company's strategy and investment consultant and Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") as the Company's investor relations consultant in June 2015 for a term of three years. In consideration of their respective services for the three years, the Company agreed to grant to Dingxianghui and Zhixin options to subscribe for 7.5 million and 17.5 million shares of the Company respectively (the "**Dingxianghui Options**" and "**Zhixin Options**", respectively), the exercise of which would be subject to fulfilment of certain conditions as set out in the Circular.

In an announcement dated 14 September 2016, the Company provided an update on the status of the consultants' engagements, and stated among other things that, the services provided by the two consultants were not satisfactory, the Company had not granted any of the Dingxianghui Options or Zhixin Options to the consultants, and the Company would explore the termination of the engagements with the consultants.

By an announcement dated 28 November 2016, the Company provided a further update on the status of the consultants' engagements including the fact that by an agreement made with the Company on 8 October 2016, Dingxianghui had agreed among other things to waive all its rights to the Dingxianghui Options and would continue to provide consultancy services to the Company on revised terms of remuneration. In the same announcement, the Company disclosed that it had received a writ of summons from Zhixin on 15 November 2016 claiming among other things specific performance by the Company in respect of the Zhixin Options and damages in lieu or in addition thereof. On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

We believe that any consequence that may result from our handling of these engagements, including the claim made by Zhixin, will not have any material adverse impact on the business operations and financial position of the Group.

FINANCIAL REVIEW

Revenue

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

Total revenue of the Group increased by RMB176.8 million, or 27.1%, from RMB653.0 million for the financial year ended 31 August 2015 to RMB829.8 million for the financial year ended 31 August 2016. The increase was due primarily to an increase in revenue from tuition fees by RMB140.3 million and an increase in revenue from others by RMB21.5 million.

Revenue from tuition fees increased by 25.3% from RMB554.5 million for the financial year ended 31 August 2015 to RMB694.8 million for the financial year ended 31 August 2016, primarily due to an increase in student enrollment by 20.3% and an increase in average tuition fee per student by approximately 4.7%. Revenue from others increased by 511.9% from RMB4.2 million for the financial year ended 31 August 2015 to RMB25.7 million for the financial year ended 31 August 2016, primarily due to an increase in number of supermarkets operated and cafeterias managed in our schools.

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 overseas. Other costs include our daily expenses of operating our schools and facilities, including the utility costs, the cost of furniture at our schools, the cost of maintaining our facilities and the cost of inventories sold by self-operated supermarkets in our schools.

Cost of revenue increased by RMB73.8 million, or 20.8%, from RMB354.2 million for the financial year ended 31 August 2015 to RMB428.0 million for the financial year ended 31 August 2016. The increase was due largely to an increase in teaching staff costs by RMB48.4 million and an increase in other costs by RMB19.5 million.

Teaching staff costs increased by 22.0% from RMB219.6 million for the financial year ended 31 August 2015 to RMB268.0 million for the financial year ended 31 August 2016, primarily due to an increase in the number of teachers from 1,576 as at the end of the 2014/2015 school year to 1,814 as at the end of the 2015/2016 school year and an increase in share based payments resulting from the grant of share awards to certain teaching staff during the year ended 31 August 2016. Other costs increased from RMB63.3 million for the financial year ended 31 August 2015 to RMB82.8 million for the financial year ended 31 August 2016, primarily attributable to an increase in inventories sold by self-operated supermarkets in line with their increase in sales and an increase in the costs of maintaining certain facilities of our schools.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

As a result of the foregoing, gross profit increased by 34.5% from RMB298.7 million for the financial year ended 31 August 2015 to RMB401.7 million for the financial year ended 31 August 2016. Our gross margin increased from 45.7% for the financial year ended 31 August 2015 to 48.4% for the financial year ended 31 August 2016 due largely to the increased utilization of certain schools resulting from an increase in student enrolment and an increase in tuition fee rates of certain schools.

Investment and Other Income

Investment and other income consists mainly of interest income from our bank deposits and short term principal guaranteed financial products, rental income from investment properties, dividend income from available-for-sale investments and a government grant. Investment and other income increased by 87.3% from RMB17.3 million for the financial year ended 31 August 2015 to RMB32.4 million for the financial year ended 31 August 2016. The increase was primarily attributable to an increase in interest income from bank deposits by RMB9.0 million due primarily to a better utilisation of surplus cash and a government grant of RMB8.0 million from Dalian Municipal Bureau of Finance for the Company's successful Listing.

Other Gains and Losses

Other gains and losses consist primarily of gains and losses recognized upon the disposal of property, plant and equipment, net foreign exchange gain or loss and gain on disposal of available-for-sale investments. Other gains and losses increased by 8.8% from a gain of RMB37.5 million for the financial year ended 31 August 2015 to a gain of RMB40.8 million for the financial year ended 31 August 2016. The increase was primarily attributable to the combined effects of i) an increase in net foreign exchange gain of RMB11.6 million due primarily to an exchange gain on translation of foreign operation, ii) a gain on disposal of available-for-sale investments of RMB14.3 million and iii) a gain on reversal of other payables of RMB18.9 million over accrued in prior years, which were partly offset by the absence of a gain on disposal of RMB32.3 million related to certain assets classified as held for sale as disclosed in the Company's 2015 interim report of the Company.

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. Marketing expenses increased by 16.6% from RMB22.3 million for the financial year ended 31 August 2015 to RMB26.0 million for the financial year ended 31 August 2016, mainly due to an increase in expenses for producing, printing and distributing advertising and promotional materials. However, marketing expenses as a percentage of total revenue decreased from 3.4% for the year ended 31 August 2015 to 3.1% for the year ended 31 August 2016.

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, share based payments and certain professional expenses. Administrative expenses increased by 19.4% from RMB101.9 million for the financial year ended 31 August 2015 to RMB121.7 million for the financial year ended 31 August 2016. The increase was primarily attributable to an increase in staff salaries and related costs due primarily to the fact that the Group hired additional management to support the Group's expansion and an increase in share based payments resulting from the grant of share awards to certain employees during the year ended 31 August 2016. However, administrative expenses as a percentage of total revenue decreased from 15.6% for the year ended 31 August 2015 to 14.7% for the year ended 31 August 2016, primarily due to an effective cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and banking facilities. Finance costs decreased by 100% from RMB4.1 million for the financial year ended 31 August 2015 to zero for the financial year ended 31 August 2016 as no new bank borrowings were raised during the year ended 31 August 2016.

Other Expenses

Other expenses consist primarily of expenses related to the Listing and outgoing expenses related to the investment properties. Other expenses decreased from RMB8.0 million for the financial year ended 31 August 2015 to RMB1.2 million for the financial year ended 31 August 2016, largely due to the absence of RMB6.6 million in respect of expenses related to the Listing.

Change in Fair Value on Redeemable Convertible Preferred Shares

The fair value loss related to redeemable convertible preferred shares (the “Preferred Shares”) issued to pre-IPO investors decreased from RMB0.3 million for the financial year ended 31 August 2015 to zero for the year ended 31 August 2016, as all the Preferred Shares were converted into ordinary shares upon the Listing.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB325.9 million for the financial year ended 31 August 2016 and RMB216.9 million for the financial year ended 31 August 2015. Profit before taxation as a percentage of revenue of the Group was 39.3% for the financial year ended 31 August 2016, compared with 33.2% for the financial year ended 31 August 2015.

Taxation

Income tax expense of the Group increased from RMB11.4 million for the financial year ended 31 August 2015 to RMB18.3 million for the financial year ended 31 August 2016, due mainly to an increase in assessable profit of certain subsidiaries of the Company. The effective tax rate of the Group for the financial years ended 31 August 2016 and 2015 was 5.6% and 5.2%, respectively, which remained relatively stable.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 49.7% from RMB205.5 million for the financial year ended 31 August 2015 to RMB307.6 million for the financial year ended 31 August 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted Net Profit

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

	Year ended 31 August	
	2016	2015
	RMB'000	RMB'000
Profit for the year	307,564	205,546
Add:		
Gain on disposal of available-for-sales investments	(14,301)	–
Government grant	(8,032)	–
Gain on disposal of assets classified as held for sale (Note)	–	(32,289)
Listing expenses	–	6,552
Share-based payments	18,489	5,706
Change in fair value on Preferred Shares	–	277
Adjusted net profit	303,720	185,792

Adjusted net profit margin increased from 28.5% for the year ended 31 August 2015 to 36.6% for the year ended 31 August 2016, primarily due to the combined effects of the increase in gross profit margin and the decrease in administrative expenses as a percentage of revenue as mentioned above and the increase in the adjusted amount of share based payments.

Note: The gain resulted from the disposal of assets classified as held for sale as disclosed in the Company's 2015 interim report and the amount was included in the gain on disposal of property, plant and equipment and prepaid lease payments.

Capital Expenditures

For the year ended 31 August 2016, the Group paid RMB146.7 million for property, plant and equipment primarily related to the buildings of schools in Pinghu, Zhejiang Province. For the year ended 31 August 2015, the Group paid RMB212.3 million for property, plant and equipment primarily related to the building costs and the educational equipment and facilities for our new schools in Yiwu, maintenance, renovation and upgrade of certain existing schools.



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital Structure

The following table sets forth a summary of our cash flows for the two financial years:

	Year ended 31 August	
	2016	2015
	RMB'000	RMB'000
Net cash from operating activities	532,877	444,039
Net cash from (used in) investing activities	33,208	(239,508)
Net cash (used in) from financing activities	(365,817)	433,597
Net increase in cash and cash equivalents	200,268	638,128
Cash and cash equivalents at 1 September	1,022,141	380,332
Effect of foreign exchange rate changes	15,493	3,681
Cash and cash equivalents at 31 August	1,237,902	1,022,141

As at 31 August 2016, the Group's bank balances and cash amounted to RMB1,237.9 million, of which the majority was denominated in RMB. As at 31 August 2016, the Group did not have bank borrowings.

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

Gearing Ratio

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial year. As at 31 August 2016 and 31 August 2015, the Group did not have bank borrowings and hence the corresponding gearing ratio was zero.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures is denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in foreign currencies such as Canadian dollars ("CAD"), HK\$, United States dollars ("USD") and S\$. As at 31 August 2016, certain bank balances were denominated in CAD, HK\$ and USD. The Group did not enter into any financial instrument for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

As at 31 August 2016, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 August 2016, the Group pledged total bank deposits of RMB242.0 million to certain licensed banks for certain unutilized bank facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed above, during the year ended 31 August 2016, the Group did not have any material acquisition and disposal of subsidiaries.

SIGNIFICANT INVESTMENT HELD

As at 31 August 2016, no significant investment was held by the Group.

EMPLOYEE BENEFITS

As at 31 August 2016, the Group had 3,684 (2015: 3,051) full-time employees. The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a pre-IPO share option scheme, a post-IPO share option scheme and a share award scheme set up for its employees and other eligible persons. Salaries and other benefits of the Groups' employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and the relevant market conditions. Total employee remuneration (excluding directors' remuneration) for the year ended 31 August 2016 amounted to RMB349.2 million (2015:RMB282.1 million).



INVESTOR RELATIONS

MAJOR INVESTOR RELATIONS' ACTIVITIES

During the period from September 2015 to November 2016, the Company's representatives attended various investor relations' activities in Hong Kong, the Peoples' Republic of China and overseas regions, including more than 40 non-deal roadshows and more than 32 investment conferences/corporate days organized by various investment banks. The Company's representatives also attended various one on one meetings and conference calls requested by buy-side fund managers/analysts and sell-side analysts. Through these investor relations' activities, the Company's representatives met more than 1,300 buy-side fund managers/analysts and more than 70 sell-side analysts.

The major investor relations' activities attended by the Company's representatives during the period from September 2015 to November 2016 are summarized as follows:

Month/Year	Investor Relations' Activities	Location
September 2015	CLSA Investors' Forum 2015	Hong Kong
November 2015	Citi 10th China Investor Conference	Macau
	Cinda International – Corporate Day	Hong Kong
	2015 Annual Results Presentation	Hong Kong
	Post 2015 Annual Results Non-deal Roadshow	Hong Kong
December 2015	Various Post 2015 Annual Results Non-deal Roadshows	Hong Kong/ Shanghai/Beijing
	Citi Mid-Cap Discovery Series Group Meeting	Hong Kong
	Citic Securities Investment Conference 2016	Shenzhen
January 2016	Non-deal Roadshow	Hong Kong
	Nomura Matcha Series Group Meeting	Hong Kong
February 2016	Various Non-deal Roadshows	Hong Kong
	Non-deal Roadshow	London
March 2016	Daiwa Investment Conference Tokyo 2016	Tokyo
	Non-deal Roadshow	Taiwan
	Morgan Stanley Hong Kong Investor Summit	Hong Kong
	Non-deal Roadshow	Hong Kong
	Nomura Internet and Education Corporate Day	Hong Kong
April 2016	UBS HK/China Small and Mid-Caps Corporate Day 2016	Hong Kong
	DBS Vickers Pulse of Asia Conference	Hong Kong
	Various Post 2016 Interim Results Non-deal Roadshows	Hong Kong
May 2016	Various Post 2016 Interim Results Non-deal Roadshows	Hong Kong
	CCB International China Healthcare and Consumer Conference	Hong Kong
	CLSA China Forum 2016	Chengdu
	Morgan Stanley Second Annual China Summit	Beijing
June 2016	Daiwa Investment Conference NY 2016	New York
	Various Non-deal Roadshows	New York/Boston/ Chicago/San Francisco
	Nomura Investment Forum Asia 2016	Singapore
	Non-deal Roadshow	Hong Kong
	Macquarie Asia Internet and Media Conference 2016	Shanghai
	CICC Investment Strategy Conference 2H16	Shanghai
	Non-deal Roadshow	Taiwan

INVESTOR RELATIONS

Month/Year	Investor Relations' Activities	Location
July 2016	Citi's China Mid-Cap H-/A-share Conference 2016 Non-deal Roadshow	Hong Kong Kuala Lumpur/ Singapore
August 2016	Non-deal Roadshow Morgan Stanley China Internet & E-Commerce Conference	Hong Kong Beijing
September 2016	Non-deal Roadshow Morgan Stanley China Corporate Day Nomura China Investor Forum UBS China A-share Conference 2016 GF Securities Shenzhen-Hong Kong Stock Connect Conference Fubon Taiwan Forum 2016 CLSA Investors' Forum 2016 China Merchants Securities (HK) – Shenzhen-Hong Kong Stock Connect Group Meeting Reverse Roadshows	London London Shanghai Shenzhen Guangzhou Taiwan Hong Kong Shenzhen Dalian/Tianjin/ Shanghai
October 2016	Non-deal Roadshow Non-deal Roadshow Jefferies 6th Annual Greater China Summit Non-deal Roadshow	Korea Hong Kong Hong Kong Toronto
November 2016	HSBC 8th Annual Asia Investor Forum Credit Suisse 7th Annual China Investment Conference Daiwa Investment Conference Hong Kong 2016 Morgan Stanley Asia Pacific Summit 2016 J.P. Morgan Asia Rising Dragons 1x1 Forum J.P. Morgan Asia Rising Dragons 1x1 Forum 2016 Annual Results Presentation	New York Shenzhen Hong Kong Singapore Kuala Lumpur Hong Kong Hong Kong

INDEX CONSTITUENT

As at the date of this report, the Company has been selected as a constituent of the following indexes:

1. Hang Seng Composite Index Series
 - SmallCap Index
 - MidCap & SmallCap Index
 - Industry Index – Consumer Services
2. Hang Seng Global Composite Index
3. Hang Seng Consumer Goods and Services Index
4. MSCI China Small Cap Index

DIRECTORS AND SENIOR MANAGEMENT

OUR BOARD OF DIRECTORS

Name	Age	Position/Title	Date of Appointment
Shu Liang Sherman Jen	62	Executive Director, Chairman of the Board, CEO and President of China Operations	June 2007
Jingxia Zhang	59	Executive Director, Senior Vice President and CFO	March 2008
James William Beeke	66	Executive Director, Vice President and Superintendent of Global Education (other than PRC)	April 2014 ⁽²⁾
Howard Robert Balloch	65	Non-executive Director	March 2008
Peter Humphrey Owen	69	Independent Non-executive Director	June 2014 ⁽¹⁾
Chak Kei Jack Wong	44	Independent Non-executive Director	June 2014 ⁽¹⁾
Lap Tat Arthur Wong	56	Independent Non-executive Director	June 2014 ⁽¹⁾

Notes:

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

Executive Directors



Shu Liang Sherman Jen ("Mr. Jen"), aged 62, is our controlling shareholder and founder. Mr. Jen was appointed as a director in June 2007 and was re-designated as an executive director and was appointed as chairman of the nomination and corporate governance committee of our Company, both taking effect on 28 November 2014, and is primarily responsible for the overall business and strategy of our Group, including the introduction of the dual diploma school model. He has been the chairman of the board of directors (the "Board"), chief executive officer ("CEO") of our Company since 2007, and co-chief executive officer ("Co-CEO") since March 2014. Mr. Jen was redesigned as CEO on 15 August 2016 following the resignation of the other Co-CEO and was appointed as the president of China operations on 1 September 2016.

He is also the president of Dalian Maple Leaf International School, a subsidiary of the Company, since 1995, the chairman of Dalian Maple Leaf Educational Group Ltd., a consolidated affiliated entity, since 2003, and the director of Maple Leaf Educational Systems Limited, a subsidiary of the Company, since 1992, Tech Global Investment Ltd., a subsidiary of the Company, since 2007, Maple Leaf Education Asia Pacific Limited (formerly known as Hong Kong Maple Leaf Educational Systems Limited), a subsidiary of the Company, since 2009 and Dalian Beipeng Educational Software Development Inc., a subsidiary of the Company, since 2011. His contributions lead us to become one of the leading international school service providers in the People's Republic of China ("China" or "PRC").

Mr. Jen has 20 years of experience in the education industry. In 2004, he was selected as one of the most influential figures in the private education industry in China by sohu.com. In 2005, he received the Outstanding Chinese Entrepreneur Award from the Overseas Chinese Affairs Office of the State Council of the PRC. In 2011, he was honored as one of the "Top Ten Figures of our Time" by a group of media organizations and industry associations. In 2013, he received the Governor General's Medallion from Mr. David Johnston, Governor General of Canada, for his contributions to international education. In October 2014, he received the Chinese Government Friendship Award from the PRC Premier Mr. Li Keqiang and two Vice Premiers,

DIRECTORS AND SENIOR MANAGEMENT

which is the highest honor awarded by the Chinese government to foreign experts for their outstanding contributions to the modernized development of the PRC. Mr. Jen has not held any directorship roles in any other 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 (“BC”), Canada in June 2013.



Jingxia Zhang (“Ms. Zhang”), aged 59, is the senior vice president and was re-designated from co-chief financial officer to chief financial officer (“CFO”) of our Company with effect from 16 June 2015. Ms. Zhang was appointed as a director in March 2008 and was re-designated as an executive director taking effect on 28 November 2014. Ms. Zhang joined the Group in April 1995 and is primarily responsible for the overall management and financial operations of the schools in our Group. Ms. Zhang is one of the key members of the management team of the Company and has made important contributions to the Group.

Prior to joining our Group, Ms. Zhang was the director of finance of Jilin Province Dunhua City Pharmaceutical Factory, a Chinese pharmaceutical manufacturer, where Ms. Zhang was responsible for managing its accounts and financial operations. Ms. Zhang has not held any directorship roles in any other listed companies in the last three years.

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



James William Beeke (“Mr. Beeke”), aged 66, is our director, vice president and superintendent of global education (other than PRC) of the Group. He was appointed as a director in April 2014 and was re-designated as an executive director taking effect on 28 November 2014. Mr. Beeke previously served as the Vice Chairman of the Board and the superintendent of the BC Program of the Group from 2005 to 2009. Mr. Beeke was appointed as the superintendent of global education (other than PRC) of the Group and ceased to be the superintendent of BC program of the Group with effect from 15 August 2016. Mr. Beeke is primarily responsible for overseeing the development of the Group’s educational programs outside of the PRC.

Prior to joining our Group, Mr. Beeke was employed by the BC 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 other listed companies in the last three years.

Mr. Beeke received his Bachelor of Arts degree and Master of Arts degree from Western Michigan University in Michigan, United States, in December 1971 and August 1973, respectively. He received the Certificate of Qualification from the British Columbia Teachers in June 1991, Certificate of Recognition from the British

DIRECTORS AND SENIOR MANAGEMENT

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 65, was appointed as a director in March 2008 and was re-designated as a non-executive director and was appointed as a member of the remuneration committee, both taking effect on 28 November 2014, and is responsible for supervising the overall management and strategic planning of our Group.

Mr. Balloch is a retired 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 subsequently as its vice chairman. Mr. Balloch founded and served as President and Chairman of The Balloch Group from 2001 to 2011, a boutique investment bank that advised domestic and multinational corporations in China. The Balloch Group was acquired in 2011 by Canaccord Genuity Group Inc., a Canadian company listed on both the Toronto Stock Exchange (“**TSX**”) (stock code: CF) and the London Stock Exchange (stock code: CF). Mr. Balloch served as Chairman of Canaccord Genuity Asia, the Asian subsidiary of Canaccord Genuity Group Inc. from 2011 to 2013. From January 2002 to January 2015, he served as a director of Ivanhoe Energy Inc., a company involved in heavy oil exploration and production technology and listed on the TSX (stock code: IE) and NASDAQ (stock code: IVAN) until it was delisted in March 2015. Mr. Balloch has also served as the director of several companies outside the Group. He has been a director of Methanex Corp. since December 2004, a company listed on both the TSX (stock code: MX) and NASDAQ (stock code: MEOH), which is engaged in the supply, distribution and marketing of methanol to major international markets. He has also served as a director of Sinopec Canada, a non-public subsidiary of Sinopec International Petroleum Exploration and Production Corporation, since April 2014.

Mr. Balloch received a Bachelor of Arts degree and a Master of Arts degree from McGill University, Canada in June 1972 and June 1974, respectively.

Independent Non-executive Directors



Peter Humphrey Owen (“Mr. Owen”), aged 69, was appointed as an independent non-executive director in June 2014, and was appointed as a chairman of our remuneration committee and a member of our audit committee and nomination and corporate governance committee, all taking effect on 28 November 2014. Mr. Owen is primarily responsible for supervising and providing independent judgment to our Board.

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

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

DIRECTORS AND SENIOR MANAGEMENT



Chak Kei Jack Wong (“Mr. Wong”), aged 44, was appointed as an independent non-executive director in June 2014, and was appointed as a member of audit committee, remuneration committee and nomination and corporate governance committee, all taking effect on 28 November 2014. Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

Currently, Mr. Wong serves as a managing director at Société Générale. Mr. Wong is also a professor of Science Practice in Financial Mathematics of The Hong Kong University of Science and Technology and a professor of Finance Practice of The Chinese University of Hong Kong (Shenzhen). 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, foreign exchange and inflation. Prior to that, he was a quantitative analyst in credit derivative and emerging market in Morgan Stanley, London. Mr. Wong has not held any directorship roles in any other listed companies in the last three years.

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 56, was appointed as an independent non-executive director in June 2014, and was appointed as the chairman of the audit committee, both taking effect on 28 November 2014. 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 in Hong Kong, San Jose and Beijing, with the latest position as a partner in the Beijing office. He subsequently served as the CFO in the following companies: Asia New Energy Holdings Pte. Ltd, a manufacturer of fertilizer, chemicals and new energy products, from 2008 to 2009; Nobao Renewable Energy Holding Ltd., a renewable energy company, from March 2010 to November 2010; GreenTree Inns Hotel Management Group, Inc., an economy hotel chain from 2011 to 2012; and Beijing Radio Cultural Transmission Company Limited, a music production and music data management service company, 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 (stock code: 00926) from July 2010 to April 2014, an independent director of YOU On Demand Holdings Inc, a media company listed on NASDAQ (stock code: YOD) from January 2014 to April 2016 and an independent director of Xueda Education Group, a company listed on NYSE (stock code: XUE) from March 2015 to June 2016. 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 (stock code: VISN) since December 2011; China Automotive Systems, Inc., an automotive systems and components manufacturer listed on NASDAQ (stock code: CAAS) since May 2012; Daqo New Energy Corp., a polysilicon manufacturer listed on NYSE (stock code: DQ) since December 2012; Petro-king Oilfield Services Ltd., a consultancy and oilfield project services company listed on the Stock Exchange (stock code: 02178) since February 2013 and Sky Solar Holdings, Ltd., a company listed on NASDAQ (stock code: SKYS) since November 2014.

DIRECTORS AND SENIOR MANAGEMENT

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

Name	Age	Position
Shu Liang Sherman Jen	62	CEO and President of China Operations
Jingxia Zhang	59	Senior Vice President and CFO
James William Beeke	66	Vice President and Superintendent of Global Education (other than PRC)
Guijie Fan	49	Vice President of China Operations and Chief Legal Officer (PRC)
Chi Hung Lau	46	Vice President, Head of Investor Relations and Company Secretary
Robert William Gardner	59	Vice President of China Operations and the Superintendent of BC Program (PRC)
Linsheng Chen	57	Vice President and the Chinese Program Superintendent
Xiaofeng Cao	43	Vice President

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



Guijie Fan (“Ms. Fan”), aged 49, has been appointed as vice president of China operations of the Company with effect from 1 September 2016. Ms. Fan is primarily responsible for human resources and legal affairs of the Company’s schools in the PRC. Ms. Fan is a PRC qualified lawyer. She has been the legal adviser to Dalian Maple Leaf Educational Group Co. Ltd. since 2011. In June 2014, she established the Group’s legal department and served as its first director. Ms. Fan was appointed chief legal officer in the PRC of the Company in November 2015 and was responsible for drawing up and implementing policies regarding legal governance and intellectual property protection for the Company’s schools in the PRC.

Ms. Fan received a Bachelor’s degree from the Harbin University of Science and Technology in 1989. Prior to joining the Group, she has worked as a partner in a law firm as well as an in-house legal adviser in two corporations and a government authority.



Chi Hung Lau (“Mr. Derek Lau”), aged 46, joined the Company as vice president and head of investor relations in August 2015. Mr. Lau was subsequently appointed as joint company secretary on 1 September 2015 and re-designated as company secretary on 27 November 2015. Mr. Derek Lau has over 20 years of experience in investor relations, financial management, accounting, auditing, company secretarial affairs and corporate finance including initial public offerings, mergers and acquisitions. Prior to joining the Group, Mr. Derek Lau had mainly held senior finance positions in several companies whose shares are listed on the Stock Exchange and had also worked in Deloitte Touche Tohmatsu where the last position he served was manager. In particular, during the period from January 2011 to August 2015, Mr. Derek Lau worked for a company whose shares are listed on the Stock

Exchange, where the positions he had served include group CFO and company secretary.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Derek Lau graduated with a Bachelor's degree in Accountancy in 1993 and a Master of Business Administration in 2001 from The Hong Kong Polytechnic University. Mr. Derek Lau is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, a Fellow of The Association of Chartered Certified Accountants, an Associate of The Institute of Chartered Accountants in England and Wales, an Associate and a Certified Tax Adviser of The Taxation Institute of Hong Kong. Mr. Derek Lau is also an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.



Mr. Robert William Gardner ("Mr. Gardner"), aged 59, has been appointed as vice president of China operations of the Company with effect from 1 September 2016. Mr. Gardner is primarily responsible for the administration and inspection of the Group's British Columbia program in the PRC, teaching evaluation and staff recruitment after taking up the role of the superintendent of BC program in the PRC with effect from 15 August 2016.

Mr. Gardner has over 30 years of management and teaching experience in education in Canada. Mr. Gardner was previously a principal of Dalian Maple Leaf International School in Dalian, PRC from May 2013 to August 2014.

Mr. Gardner received a Bachelor of Education degree from the University of Saskatchewan, Canada in 1981 and a Master of Education degree from the University of Alberta, Canada in 1989. Mr. Gardner is a member of the BC Principals' and Vice Principals' Association.



Linsheng Chen ("Mr. Chen"), aged 57, has been the vice president and Chinese program superintendent of our Group 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.

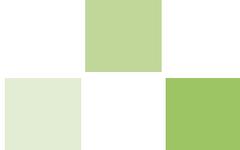
Mr. Chen served as the head of the educational affairs department of Dalian Maple Leaf High School from August 2000 to April 2006, where he was responsible for managing the Chinese curriculum. He later served as the Chinese program Superintendent of Shenyang Maple Leaf International School from May 2006 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.



Xiaofeng Cao ("Mr. Cao"), aged 43, joined the Group as vice president in March 2015 and is primarily responsible for school construction projects and general affairs of school campus. Mr. Cao has over 10 years' experience in senior management capacity. Prior to joining the Group, Mr. Cao was a vice president of Etonkids Educational Group.

Mr. Cao received a Bachelor's degree from Wuhan Textile Engineering Institute in 1995, a Master of Labor Economics from Renmin University of China in 2011 and a Doctor's degree in Educational Management from Beijing Normal University in 2014.



REPORT OF THE DIRECTORS

The board (the “**Board**”) of directors (“**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**”) present their report together with the audited financial statements of Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 August 2016.

GENERAL INFORMATION

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

The Company’s shares (“**Shares**”) were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 November 2014 (“**Listing Date**”).

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is an international school operator which offers a bilingual preschool to grade 12 (“**K-12**”) education primarily in the People’s Republic of China (“**China**” or “**PRC**”) under the “Maple Leaf” brand. The core component of our business is a dual-curriculum and dual-diploma high school education that enables our high school graduates to receive a diploma fully accredited by British Columbia, Canada and a China diploma. A list of the Company’s subsidiaries, together with their places of incorporation and principal activities, is set out in note 35 to the financial statements.

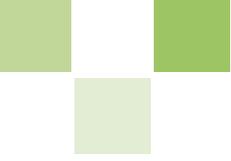
BUSINESS REVIEW

A fair review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group’s financial performance, an indication of likely future developments in the Group’s business and the Group’s key relationships with its stakeholders who have a significant impact on the Group and on which the Group’s success depends, is set out in the sections headed “Chairman’s Statement”, “Management Discussion and Analysis” and “Investor Relations” of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed “Events after the reporting period” in this report.

Principal Risks and Uncertainties

Save as disclosed in the section headed “Risks relating to the Contractual Arrangements” under “Connected Transactions” in this report, the following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond our control.

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



REPORT OF THE DIRECTORS

- Competition in the education industry where we serve;
- Our business depends on our ability to recruit and retain dedicated and capable teachers and other school personnel;
- Ability to obtain or renew the necessary licenses or government approvals for our business and operations; and
- Changes to regulatory and operating conditions in the education industry where we serve.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

Environmental Policies and Performance

The Group realizes the importance of environmental protection in pursuing a long-term sustainability. In particular, the Group promotes energy saving and recycling of materials in our headquarters and schools such as turning off idle lightings, air-conditioning and electrical appliances. The Group also encourages the use of recycled papers and both sides of papers for printing and copying. The Group is committed to improving environmental sustainability and will closely monitor the performance.

Compliance with the Relevant Laws and Regulations

During the year ended 31 August 2016, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

FINANCIAL RESULTS

The results of the Group for the year ended 31 August 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 of this report.

DIVIDENDS

During the year ended 31 August 2016, the Company paid a final dividend of HK\$0.043 per Share and a special dividend of HK\$0.027 per Share for the year ended 31 August 2015 and an interim dividend of HK\$0.042 per Share for the six months ended 29 February 2016.

The Board has resolved to recommend the payment of a final dividend of HK\$0.058 per Share for the year ended 31 August 2016, subject to the approval by the shareholders (“**Shareholders**”) of the Company at the forthcoming annual general meeting (“**AGM**”) to be held on 23 January 2017. Together with the interim dividend paid, this made up a total dividend of HK\$0.100 per Share for the year ended 31 August 2016.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed “Five-Year Financial Summary” on pages 6 to 8 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties as at 31 August 2016 are set out in note 15 to the financial statements. The fair value of the investment properties at 31 August 2016 was RMB33.0 million. The book value of the investment properties held by the Group as at 31 August 2016 as included in the financial statements in this report was RMB11.6 million.

As at 31 August 2016, there was no property held for investment for which the percentage ratios, as defined under Rule 14.04(9) of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), exceed 5%.

BANK LOANS AND OTHER BORROWINGS

As at 31 August 2016, the Group did not have any outstanding bank loans and other borrowings.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 24 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company during the year ended 31 August 2016 are set out in note 34 to the financial statements. The distributable reserves of the Company as at 31 August 2016 were 790.3 million.

PERMITTED INDEMNITY

In accordance with article 33.1 of the Company’s articles of association (“**Articles of Association**”), every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

DIRECTORS

The Directors during the year ended 31 August 2016 and up to the date of this report were as follows:

Executive Directors:

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

Non-executive Director:

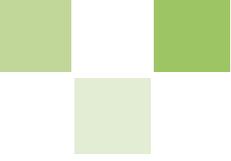
Mr. Howard Robert Balloch

Independent Non-executive Directors:

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

* *Resigned on 15 August 2016*

In accordance with article 16.18 of the Company’s Articles of Association, Ms. Jingxia Zhang, Mr. James William Beeke and Mr. Howard Robert Balloch will retire by rotation at the forthcoming AGM and, being eligible, have offered themselves for re-election.



REPORT OF THE DIRECTORS

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors 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 AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2016 are set out in note 10 to the financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

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

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 32 to the financial statements headed “Related Party Transactions and Balances” and the section headed “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 as at 31 August 2016 or at any time during the year ended 31 August 2016.

During the year ended 31 August 2016, neither our controlling shareholders (“**Controlling Shareholders**” as defined in the Listing Rules) nor any of our Directors were interested in the business of operating international schools or educational institutions, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 August 2016.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

We have entered into a number of continuing agreements and arrangements (“**Contractual 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

Reasons for the 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 Requirement”). The Contractual Arrangements among us, Dalian Beipeng Educational Software Development Inc. (“**Beipeng Software**”), our consolidated affiliated entities and shareholders of our consolidated affiliated entities are therefore necessary to achieve our business objectives, although they have been as narrowly tailored as possible so as to minimize potential conflict with current PRC laws and regulations.

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.

REPORT OF THE DIRECTORS

Risks relating to the Contractual Arrangements

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

1. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, we could be subject to severe penalties and our business may be materially and adversely affected.
2. Our Contractual Arrangements may not be as effective in providing control over our consolidated affiliated entities as equity ownership.
3. Any failure by our consolidated affiliated entities or their respective ultimate shareholders to perform their obligations under our Contractual Arrangements would potentially lead to our having to incur additional costs and expend substantial resources to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.
4. The ultimate owners of our consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.
5. Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.
6. The Contractual Arrangements between Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf International School (High School) ("**Dalian Maple Leaf High School**") may subject our Group to increased income tax due to the different income tax rates applicable to Beipeng Software and our consolidated affiliated entities and Dalian Maple Leaf High School, which may adversely affect our results of operations.
7. Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our net income and the value of your investment.
8. We rely on dividends and other payments from Beipeng Software to pay dividends and other cash distributions to our Shareholders.
9. Our consolidated affiliated entities and Dalian Maple Leaf High School may be subject to significant limitations on their ability to operate private education or make payments to related parties or otherwise be materially and adversely affected by changes in PRC laws and regulations.
10. The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could result in a decrease of our net income and materially and adversely affect our results of operations.
11. If any of our PRC subsidiaries or consolidated affiliated entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could reduce the size of our operations and materially and adversely affect our business, ability to generate revenue and the market price of our Shares.
12. Our exercise of the option to acquire the equity interests of our consolidated affiliated entities may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

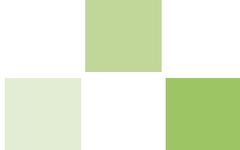
Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2016 are as follows:

- (i) an exclusive management consultancy and business cooperation agreement dated 11 May 2014 and entered into by and among Beipeng Software, Dalian Maple Leaf Educational Group Co., Ltd (“**Dalian Educational Group**”) and its subsidiary entities, including but not limited to companies, schools and other entities which it directly or indirectly holds more than 50% interests of, and Ms. Shu’E Ren (the “**Founder’s Sister**”), a sister of Mr. Shu Liang Sherman Jen (“**Founder**”), 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 11 May 2014 and entered into by and between Beipeng Software and Dalian Maple Leaf High School, pursuant to which Dalian Maple Leaf High School agreed to engage Beipeng Software as the exclusive service provider to provide Dalian Maple Leaf High School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;
- (iii) an exclusive management consultancy and business cooperation agreement dated 22 August 2014 and entered into by and among Beipeng Software, Dalian Maple Leaf Foreign Nationals School (“**Dalian Foreign School**”), Wuhan Maple Leaf Foreign National School (“**Wuhan Foreign School**”) and the Founder, pursuant to which Dalian Foreign School, Wuhan Foreign School and the Founder agreed to engage Beipeng Software as the exclusive service provider to provide Wuhan Foreign School and Dalian Foreign School with comprehensive educational consultancy services, intellectual property licenses and technical support and business support services, and in return, Beipeng Software will charge for the services;
- (iv) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Educational Group and the Founder’s Sister, pursuant to which the Founder’s Sister granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder’s Sister part or all of her equity interests in Dalian Educational Group for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (v) an exclusive call option agreement dated 11 May 2014 and entered into by and among our Company, Dalian Maple Leaf Science and Education Co., Ltd (“**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;

REPORT OF THE DIRECTORS

- (vi) an exclusive call option agreement dated 22 August 2014 and entered into by and among our Company, the Founder and Wuhan Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Wuhan Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (vii) an exclusive call option agreement dated 11 May 2014 and entered into among our Company, the Founder and Dalian Foreign School, pursuant to which the Founder granted, at nil consideration, an exclusive, unconditional and irrevocable option to our Company or our nominee to acquire from the Founder part or all of his sponsor interests in Dalian Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations;
- (viii) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian Educational Group and the Founder's Sister, pursuant to which the Founder's Sister pledged all of her equity interests in Dalian Educational Group to Beipeng Software to guarantee the performance of the obligations of the Founder's Sister and Dalian Educational Group and its Subsidiary Entities under the exclusive management consultancy and business cooperation agreement (as described in item (i)), the exclusive call option agreement (as described in item (iv)), and power of attorney (as described in item (x));
- (ix) an equity pledge agreement dated 26 May 2014 and entered into by and among Beipeng Software, Dalian 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 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as her attorney-in-fact to exercise the shareholder's rights in Dalian Educational Group and Dalian Science and Education;
- (xi) a power of attorney executed by the Founder dated 11 May 2014 appointing Beipeng Software, or nominee(s) of Beipeng Software, as his attorney-in-fact to exercise the shareholder's rights in Dalian Foreign School and Wuhan Foreign School;
- (xii) an exclusive management consultancy and business cooperation agreement dated 22 June 2016 and entered into by and among Beipeng Software, Yiwu Maple Leaf Foreign Nationals School ("**Yiwu Foreign School**") and the Founder, pursuant to which Yiwu Foreign School and the Founder agreed to engage Beipeng Software as the exclusive service provider to provide Yiwu 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;



REPORT OF THE DIRECTORS

- (xiii) an exclusive call option agreements dated 22 June 2016 and entered into among our Company, the Founder and Yiwu 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 Yiwu Foreign School for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations; and
- (xiv) a power of attorney executed by the Founder dated 22 June 2016 appointing Beipeng Software, or nominee(s) of Beipeng Software, as his attorney-in-fact to exercise the shareholder's rights in Yiwu Foreign School.

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC consolidated affiliated entities during the financial year ended 31 August 2016. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 August 2016, except that Pinghu Maple Leaf International School, Huaian Enlai Maple Leaf International School, Tianjin Maple Leaf Zhonghua Taida Preschool, Xian Maple Leaf International School and Yiwu Foreign School have been added as subsidiary entities of Dalian Educational Group pursuant to the requirements of the management consultancy and business cooperation agreement in (i) above.

For the year ended 31 August 2016, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

We have been advised by our PRC legal advisor that the Contractual Arrangements do not violate the relevant PRC regulations.

Listing Rules Implications

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. Each of Wuhan Foreign School, Dalian Foreign School and Yiwu Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules. Accordingly, the Contractual Arrangements constitute connected transactions of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the 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.

Agreements with Beipeng Software

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 11 May 2014, (ii) among Beipeng Software, Wuhan Foreign School, Dalian Foreign School and the Founder entered into on 22 August 2014, each of which superseded all previous agreements among the parties with respect to subject matters thereof, and (iii) among Beipeng Software, Yiwu Foreign School and the Founder entered into on 22 June 2016, Beipeng Software has the exclusive right to provide, or designate any third party to provide each of the Group's consolidated affiliated entities with intellectual property development and licensing services as well as comprehensive technical and educational consultancy services (the "Services"). Such Services include educational software and course materials, research and development, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resource and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, and software and trademark and know-how licensing and other additional services as the parties may mutually agree from time to time.

For the year ended 31 August 2016, the Services provided by Beipeng Software to the Dalian Educational Group and its subsidiaries, Wuhan Foreign School, Dalian Foreign School and Yiwu Foreign School amounted to RMB41.6 million.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 August 2016 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2016, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 August 2016, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditors

The auditors of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2016:

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

During the year ended 31 August 2016, no related party transactions disclosed in note 32 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosable requirements set out in Chapter 14A of the Listing Rules.

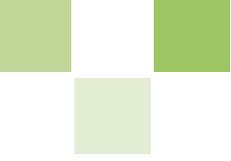
QUALIFICATION REQUIREMENT

Draft New Foreign Investment Law

On 19 January 2015, the Ministry of Commerce of China (“**MOFCOM**”) released a draft version of the Foreign Investment Law (中華人民共和國外國投資法(草案徵求意見稿)) (“**Draft FIL**”) for public comment. The Draft FIL, if adopted in its current form, would introduce significant changes to the foreign investment regime of the PRC.

Unlike the current system, the definition of “foreign investment” in the Draft FIL expressly includes control by other means, e.g. contractual arrangements, in addition to equity ownership. Therefore, for any future investment made through contractual arrangements, so long as ultimate investor is a foreign investor, MOFCOM will treat the investment, albeit through contractual arrangements, as a foreign investment. For those contractual arrangements made before the Draft FIL becoming effective, the Draft FIL leaves a placeholder for dealing with them but acknowledges in an explanatory note that in light of the different views expressed by the public, a further study based on the public comments would be necessary.

Given that the Draft FIL is only at the consultation stage and information on how existing contractual arrangements would be dealt with is still outstanding, the Company believes that any attempt to evaluate the potential impact that it will have on the Contractual Arrangements and the business of our Group would be premature. The Board will continuously monitor any updates on the Draft FIL and seek guidance from our PRC legal advisor to ensure compliance with all relevant rules and regulations in the PRC at all times.



REPORT OF THE DIRECTORS

Updates in Relation to the Qualification Requirement

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 the approval of education authorities at the provincial level. Our preschools or high schools are in the form of domestic Chinese preschools or high schools except that Dalian Maple Leaf High School is in the form of a sino-foreign joint venture private school.

Our PRC legal advisor, Tianyuan Law Firm has advised us that, except for the release of the Draft FIL, there have not been changes in the relevant regulatory developments and guidance relating to the Qualification Requirement since the publication of the Prospectus.

Efforts and Actions Undertaken to Comply with the Qualification Requirement

In collaboration with Thompson Rivers University (“**TRU**”) located in Kamloops, British Columbia, the Group opened a high school, namely Maple Leaf University School – TRU, on a designated area of TRU’s campus leased from TRU in September 2016.

In September 2016, the Group acquired the entire issued capital of a company incorporated in Singapore in which the principal asset is a school property (“**School Property**”) in Singapore which is leased to an independent school operation under a lease agreement. Subject to the School Property becoming vacant and the necessary licences having been obtained from the relevant authorities in Singapore for the operation of a foreign system school, the Group intends to open its first bilingual, bi-cultural Maple Leaf school in Singapore on the School Property.

Up to the date of this report, apart from the above actions and other steps taken as disclosed in the Prospectus, the Group is still in the progress of working on different ways of obtaining the Qualification Requirement.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2016.

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 two years ended 31 August 2016 and 2015.

For the year ended 31 August 2016, our five largest suppliers in aggregate accounted for approximately 3.47% (2015: 8%) of our cost of revenue and our largest supplier accounted for approximately 0.97% (2015: 3%) of our cost of revenue. None of our Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers.

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

As at 31 August 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director/ chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying Shares	Approximate percentage of shareholding
Shu Liang Sherman Jen (“Mr. Jen”)	Interest of controlled corporation	741,869,909 (Note 1)	–	741,869,909	54.52%
	Beneficial interest	1,133,410	2,015 (Note 2)	1,135,425	0.08%
	Interest of spouse	–	671 (Note 2)	671 (Note 3)	0.00%
Jingxia Zhang	Beneficial interest	1,754,566	1,007 (Note 2)	1,755,573	0.13%
James William Beeke	Beneficial interest	720,237	671 (Note 2)	720,908	0.05%
Howard Robert Balloch	Beneficial interest	1,100,671	–	1,100,671	0.08%
	Interest of controlled corporation	4,251,822 (Note 4)	–	4,251,822	0.31%
Peter Humphrey Owen	Beneficial interest	30,000	671 (Note 2)	30,671	0.00%
Chak Kei Jack Wong	Beneficial interest	20,000	–	20,000	0.00%
Lap Tat Arthur Wong	Beneficial interest	180,000	–	180,000	0.01%

REPORT OF THE DIRECTORS

Notes:

1. *Sherman Investment Holdings Limited (“Sherman Investment”) is a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Jen. Mr. Jen is deemed to be interested in 741,869,909 Shares held by Sherman Investment.*
2. *These interests in underlying Shares represent the interests in outstanding options granted pursuant to the share option scheme approved and adopted by the Company on 1 April 2008 (“Pre-IPO Share Option Scheme”) to subscribe for the relevant number of Shares.*
3. *Mr. Jen is the spouse of Ms. Meichen Amy Yan (“Ms. Yan”) who is interested in 671 underlying Shares. Mr. Jen is deemed to be interested in all the Shares and underlying Shares in which Ms. Yan is interested by virtue of the SFO.*
4. *These Shares were held by Balloch Investment Holdings Limited (“Balloch Investment”), a company which is owned as to 50% by each of Mr. Howard Robert Balloch and his spouse. Mr. Howard Robert Balloch is deemed to be interested in all the Shares held by Balloch Investment.*

Long position in shares in associated corporation

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

Save as disclosed above, as at 31 August 2016, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 August 2016, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Sherman Investment (Note 1)	Beneficial interest	741,869,909	54.52%
Ms. Yan (Note 2)	Interest of spouse	743,005,334	54.60%
	Beneficial interest	671	0.00%
Buena Vista Fund Management, LLC ("Buena Vista Fund")(Note 3)	Investment manager	78,930,000	5.80%

Notes:

- (1) Sherman Investment is wholly owned by Mr. Jen, and has a direct beneficial interest of 54.52% in the Company.
- (2) Ms. Yan is the spouse of Mr. Jen and, therefore, Ms. Yan is deemed to be interested in all the Shares and underlying Shares in which Mr. Jen is interested or deemed to be interested by virtue of the SFO. Mr. Jen is interested in: (i) 1,133,410 Shares and options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 2,015 Shares as at 31 August 2016, and (ii) 741,869,909 Shares held by Sherman Investment.
- (3) Buena Vista Fund, LTD and Buena Vista Asia Opportunities Master Fund, LTD are the beneficial owners of 733,700 Shares and 71,196,300 Shares, respectively as at 31 August 2016. Each of Buena Vista Fund, LTD and Buena Vista Asia Opportunities Master Fund, LTD is wholly owned by Buena Vista Fund as investment manager. Buena Vista Fund is deemed to be interested in all the Shares of Buena Vista Fund, LTD and Buena Vista Asia Opportunities Master Fund, LTD in which they are interested by virtue of the SFO.

Save as disclosed above, as at 31 August 2016, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REMUNERATION POLICY

Employees of the Group are selected, remunerated and promoted on the basis of their 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 and share incentive schemes as described below.

REPORT OF THE DIRECTORS

SHARE INCENTIVE SCHEMES

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

Details on the movement of the relevant scheme for the year ended 31 August 2016 is set out in note 26 to the financial statements.

1. Employee Pre-IPO Share Option Scheme

The Board approved and adopted the Pre-IPO Share Option Scheme on 1 April 2008 (the “**Effective Date**”) 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. 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 our Company granting options to subscribe for Shares once the Company became a listed issuer.

(a) Eligible Persons

The Board or any other committee of directors appointed by the Board to administer the Pre-IPO Share Option Scheme (the “**Administrator**”) may grant awards to those employees, directors and consultants of the Company or a Related Entity (“**Eligible Person**”).

(b) 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. The Board has the authority to amend, suspend or terminate the Pre-IPO Share Option Scheme subject to the approval of the shareholders of the Company to the extent necessary to comply with applicable law.

(c) Share Limits

Our Board has authorized the issuance of up to 33,351,416 Shares (adjusted for any share-splits or other dilutive issuances), representing approximately 2.45% of the issued shares as at the date of this report, upon the exercise of awards granted under the Pre-IPO Share Option Scheme.

(d) 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**”).

(e) 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.

(f) Exercise Price

The Administrator will determine the purchase price per share of the 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.

(g) 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.

(h) Outstanding Share Options

The table below discloses movements in the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at 31 August 2016. No Options were granted from the Listing Date to 31 August 2016.

REPORT OF THE DIRECTORS

Grantees	Date of grant	Number of share options			Exercise period	Exercise Price	Vesting period
		As at 1 September 2015	Exercised during the year	Cancelled/lapsed during the year			
Directors							
Shu Liang Sherman Jen	2 June 2014	2,015	-	-	2,015	10 years after the date of grant	None
Zhenwan Liu*	2 June 2014	1,007	-	-	1,007	10 years after the date of grant	None
Jingxia Zhang	1 September 2008	-	-	-	-	10 years after the date of grant	Four years from the date of grant
	2 June 2014	1,007	-	-	1,007	10 years after the date of grant	None
James William Beeke	2 June 2014	671	-	-	671	10 years after the date of grant	None
Howard Robert Balloch	2 June 2014	1,070,671	(1,070,671)	-	-	10 years after the date of grant	None
Peter Humphrey Owen	2 June 2014	671	-	-	671	10 years after the date of grant	None
Sub-total		1,076,042	(1,070,671)	-	5,371		
Employees in aggregate							
27 employees	1 September 2008	6,782	-	-	6,782	10 years after the date of grant	Four years from the date of grant
11 employees	1 September 2009	161,574	-	-	161,574	10 years after the date of grant	Four years from the date of grant
12 employees	2 June 2014	2,989	-	-	2,989	10 years after the date of grant	None
Sub-total		171,345	-	-	171,345		
Total		1,247,387	(1,070,671)	-	176,716		

* Resigned on 15 August 2016

The weighted average closing price of the Shares immediately before the date on which Options were exercised and other details of the Options for the year ended 31 August 2016 are set out in note 26 to the financial statements.

2. Post-IPO Share Option Scheme

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

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

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly 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.

REPORT OF THE DIRECTORS

(c) Maximum number of Shares

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the Listing Date, such 10% limit represents 133,400,000 Shares (the “**General Scheme Limit**”) but excluding any Shares which may be issued upon the exercise of the over-allotment option for the Listing.

As at the date of this report, the Company had a total of 132,800,000 Shares available for issue under the Post-IPO Share Option Scheme (representing approximately 9.76% of the issued Shares as at the date of this report).

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

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

(d) Maximum entitlement of each participant

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

(e) Grant of options to connected persons

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

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

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

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

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

(f) Time of acceptance and exercise of option

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

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

REPORT OF THE DIRECTORS

(g) Subscription price for Shares

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

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

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

(h) Restriction on the time of grant of options

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

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

REPORT OF THE DIRECTORS

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

The Post-IPO Share Option Scheme will remain in force for a period of 10 years from 10 November 2014.

(j) Outstanding Share Options

The table below discloses movements in the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme as at 31 August 2016.

Grantees	Date of grant	Number of share options			Outstanding as at 31 August 2016	Exercise period	Exercise Price	Vesting period
		As at 1 September 2015	Granted during the year	Cancelled/ lapsed during				
Employees in aggregate								
First tranche	16 February 2016	-	200,000	-	200,000	1 March 2017	HK\$4.400	From 1 March 2017 to 15 February 2026
Second tranche	16 February 2016	-	200,000	-	200,000	1 March 2018	HK\$4.400	From 1 March 2018 to 15 February 2026
Third tranche	16 February 2016	-	200,000	-	200,000	1 March 2019	HK\$4.400	From 1 March 2019 to 15 February 2026
Total		-	600,000	-	600,000			

The closing price of Shares immediately before the date on which the Options were granted, the value of Options granted and other details of the Options for the year ended 31 August 2016 are set out in note 26 to the financial statements.

The accounting policy adopted for the Options is set out in note 3 to the financial statements.

REPORT OF THE DIRECTORS

3. Share Award Scheme

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

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

(b) **Awards**

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

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

(c) **Grant of Awards**

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

(d) **Shares underlying the Awards**

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

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

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

(e) **Restrictions on grants and Share purchases**

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

(f) Vesting of Awards

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

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

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

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

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

(g) Limit for each Beneficiary

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

(h) The Share Award Scheme Period

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

REPORT OF THE DIRECTORS

(i) Outstanding Shares awarded

In July 2015, the Scheme Trustee purchased a total of 31,080,000 Shares on the Stock Exchange at a total consideration of approximately HK\$74.7 million (equivalent to approximately RMB59.0 million). During the year 31 August 2016, the Scheme Trustee did not purchase any Share on the Stock Exchange and a total of 7,162,195 Shares under the Share Award Scheme were granted to certain Directors and employees of the Group. The table below discloses movements in the outstanding Shares granted under the Share Award Scheme to all grantees at 31 August 2016.

Grantees	Date of grant	Number of Shares				As at 31 August 2016	Vesting period or date (Note)	Vesting conditions
		As at 1 September 2015	Granted during the year	Vested during the year	Lapsed during the year			
Directors								
Shu Liang Sherman Jen	20 June 2016	-	203,410	(203,410)	-	-	From 20 June to 31 July 2016	No vesting conditions
Zhenwan Liu*	20 June 2016	-	119,653	(119,653)	-	-	From 20 June to 31 July 2016	No vesting conditions
Jingxia Zhang	20 June 2016	-	149,566	(149,566)	-	-	From 20 June to 31 July 2016	No vesting conditions
James William Beeke	20 June 2016	-	149,566	(149,566)	-	-	From 20 June to 31 July 2016	No vesting conditions
Howard Robert Balloch	20 June 2016	-	30,000	(30,000)	-	-	From 20 June to 31 July 2016	No vesting conditions
Peter Humphrey Owen	20 June 2016	-	30,000	(30,000)	-	-	From 20 June to 31 July 2016	No vesting conditions
Chak Kei Jack Wong	20 June 2016	-	20,000	(20,000)	-	-	From 20 June to 31 July 2016	No vesting conditions
Lap Tat Arthur Wong	20 June 2016	-	30,000	(30,000)	-	-	From 20 June to 31 July 2016	No vesting conditions
Sub-total		-	732,195	(732,195)	-	-		
Employees in aggregate								
First tranche	1 March 2016	-	2,773,000	(2,773,000)	-	-	31 May 2016	Subject to performance conditions
Second tranche	1 March 2016	-	2,431,000	-	(192,000)	2,239,000	31 May 2017	Subject to performance conditions
Third tranche	1 March 2016	-	1,226,000	-	(126,000)	1,100,000	31 May 2018	Subject to performance conditions
Sub-total		-	6,430,000	(2,773,000)	(318,000)	3,339,000		
Total		-	7,162,195	(3,505,195)	(318,000)	3,339,000		

* Resigned on 15 August 2016

Note:

The vesting period or date is subject to the completion of certain administrative procedures relevant to the Scheme Trustee and the grantees.

Further details on the movement of the Shares awarded during the year ended 31 August 2016 are set out in note 26 to the financial statements.

The other principal terms of the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme are set out in the Prospectus.

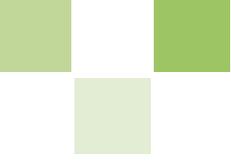
4. Grant of options under specific mandate

As was disclosed in the Company's announcements dated 9 June 2015 and 17 July 2015 and the Company's circular dated 5 August 2015 (the "**Circular**"), the Company engaged Dingxianghui (Beijing) Investment Management Co., Ltd. ("**Dingxianghui**") as the Company's strategy and investment consultant and Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") as the Company's investor relations consultant in June 2015 for a term of three years. In consideration of their respective services for the three years, the Company agreed to grant to Dingxianghui and Zhixin options to subscribe for 7.5 million and 17.5 million shares of the Company respectively (the "**Dingxianghui Options**" and "**Zhixin Options**", respectively), the exercise of which would be subject to fulfilment of certain conditions as set out in the Circular.

In an announcement dated 14 September 2016, the Company provided an update on the status of the consultants' engagements, and stated among other things that, the services provided by the two consultants were not satisfactory, the Company had not granted any of the Dingxianghui Options or Zhixin Options to the consultants, and the Company would explore the termination of the engagements with the consultants.

By an announcement dated 28 November 2016, the Company provided a further update on the status of the consultants' engagements including the fact that by an agreement made with the Company on 8 October 2016, Dingxianghui had agreed among other things to waive all its rights to the Dingxianghui Options and would continue to provide consultancy services to the Company on revised terms of remuneration. In the same announcement, the Company disclosed that it had received a writ of summons from Zhixin on 15 November 2016 claiming among other things specific performance by the Company in respect of the Zhixin Options and damages in lieu or in addition thereof. On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

We believe that any consequence that may result from our handling of these engagements, including the claim made by Zhixin, will not have any material adverse impact on the business operations and financial position of the Group.



REPORT OF THE DIRECTORS

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 August 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 August 2016.

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.

CHARITABLE DONATIONS

The Group made charitable donations of approximately RMB0.3 million during the year ended 31 August 2016.

LITIGATION

The Group did not have any material litigation outstanding as at 31 August 2016.

CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CHANGE IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Save as disclosed in the section headed "Directors and Senior Management" in this report, no change in information of Directors and chief executives is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

- i) On 23 July 2016, the Group entered into an agreement to acquire the entire issued share capital of Lucrum Development (Singapore) Pte. Limited from an independent third party for a maximum cash consideration of 68 million Singapore dollars (the "**Acquisition**"). The Acquisition was completed on 6 September 2016 at a final consideration of S\$67.3 million (equivalent to approximately RMB330.8 million) which was fully settled by bank borrowings denominated in Singapore dollars. For details of the Acquisition, please refer to the Company's announcement dated 25 July 2016.
- ii) As disclosed in the Company's announcement dated 28 November 2016 and the section headed "Grant of options under specific mandate" in this report, the Company received a writ of summons from Zhixin on 15 November 2016 claiming among other things specific performance by the Company in respect of the Zhixin Options and damages in lieu or in addition thereof. On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting underwriting fees and related expenses, amounted to approximately HK\$881.4 million (equivalent to approximately RMB697.4 million) which is intended to be applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 18 November 2014 and the Company’s announcement dated 7 September 2015 relating to the change in use of proceeds.

As at the date of this report, the Company has applied the net proceeds as follows:

- approximately RMB122.8 million has been utilized towards the expansion of our school network, in particular by developing new schools on our own in major cities in China;
- approximately RMB42.5 million has been utilized towards the maintenance, renovation and upgrade of our existing schools, such as the boys school in our Dalian campus;
- approximately RMB64.2 million has been utilized towards the acquisition of schools in major cities in China (except for foreign national schools and preschools), the acquisition of schools outside China and the strategic investment in international school operators, to expand our school network;
- approximately RMB167.4 million has been utilized to repay our bank loans; and
- approximately RMB69.7 million has been utilized as our working capital.

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

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2016 and has met with the independent auditors, Deloitte Touche Tohmatsu (“**Deloitte**”). The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

AUDITORS

The consolidated financial statements for the year ended 31 August 2016 have been audited by Deloitte. A resolution for the re-appointment of Deloitte as the Company’s auditors is to be proposed at the forthcoming AGM.

On behalf of the Board
Shu Liang Sherman Jen
Chairman

Hong Kong, 29 November 2016

CORPORATE GOVERNANCE REPORT

The board (the “**Board**”) of directors (“**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**”) is pleased to present this Corporate Governance Report in the Company’s annual report for the year ended 31 August 2016.

CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (“**Shareholders**”) and to enhance corporate value and accountability.

During the year ended 31 August 2016, the Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and has complied with all the applicable code provisions, save and except for code provision A.2.1 which stipulates that the roles of chairman and chief executive should not be performed by the same individual. Details of such deviation are set out in the section headed “Chairman and Chief Executive Officer” below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2016.

BOARD OF DIRECTORS

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

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

Executive Directors

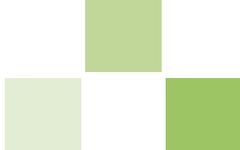
Mr. Shu Liang Sherman Jen (*Chairman and Chief Executive Officer*)
Ms. Jingxia Zhang
Mr. James William Beeke

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



CORPORATE GOVERNANCE REPORT

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” in this report.

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

Chairman and Chief Executive Officer

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

The Board does not have a separate chairman and chief executive officer (“CEO”). Mr. Shu Liang Sherman Jen (“Mr. Jen”) performs the dual roles of both chairman and CEO. Mr. Jen was re-designated from co-chief executive officer (“Co-CEO”) to CEO on 15 August 2016 following the resignation of the other Co-CEO. The Board believes that by vesting the roles of both chairman and CEO or Co-CEO, the Company derives the benefit of ensuring consistent leadership within our Group, which in turn enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

Board Meetings and Shareholders’ Meetings Held

During the year ended 31 August 2016, the Board convened six Board meetings and the Company convened an annual general meeting (“AGM”). A summary of the attendance record of the Directors is set out in the following table below:

Name of Director	Attendance/ Number of meetings	
	Board Meetings	AGM
Executive Directors		
Mr. Jen	6/6	1/1
Ms. Jingxia Zhang	6/6	1/1
Mr. James William Beeke	5/6	1/1
Mr. Zhenwan Liu (resigned on 15 August 2016)	6/6	1/1
Non-executive Director		
Mr. Howard Robert Balloch	5/6	1/1
Independent Non-executive Directors		
Mr. Peter Humphrey Owen	6/6	1/1
Mr. Chak Kei Jack Wong	5/6	1/1
Mr. Lap Tat Arthur Wong	6/6	1/1

The Board will meet at least four times in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive Director and independent non-executive Directors without the presence of executive Directors during the year ended 31 August 2016.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

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

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

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG 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 Directors including non-executive Director and independent non-executive Directors have been appointed for a term of three years, except Mr. Lap Tat Arthur Wong who has been appointed for a term of two years. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Company's articles of association (the "**Articles of Association**"). The Articles of Association requires that at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

All Directors, including non-executive Director 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 Group.

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 Group 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 CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 August 2016, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/ conferences	Reading books/ journals/ articles
Mr. Jen	✓	✓
Ms. Jingxia Zhang	✓	✓
Mr. James William Beeke	✓	✓
Mr. Zhenwan Liu (resigned on 15 August 2016)	✓	✓
Mr. Howard Robert Balloch	✓	✓
Mr. Peter Humphrey Owen	✓	✓
Mr. Chak Kei Jack Wong	✓	✓
Mr. Lap Tat Arthur Wong	✓	✓

During the year ended 31 August 2016, the Company has also arranged a training session provided by the Company's lawyer for Directors on compliance with the Model Code for securities transactions by Directors.

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. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

The Audit Committee consists of three members: Mr. Lap Tat Arthur Wong, Mr. Peter Humphrey Owen and Mr. Chak Kei Jack Wong, all of whom are independent non-executive Directors. Mr. Lap Tat Arthur Wong is the chairman of the Audit Committee.

During the year ended 31 August 2016, the Audit Committee held four meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Lap Tat Arthur Wong	4/4
Mr. Peter Humphrey Owen	4/4
Mr. Chak Kei Jack Wong	4/4

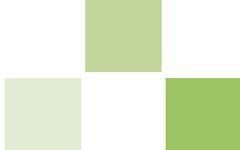
During the meetings, the Audit Committee reviewed the annual results and reports for the year ended 31 August 2015 and the interim results and report for the six months ended 29 February 2016, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

During the year ended 31 August 2016, the Audit Committee also met with the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee include but are not limited to, (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations to the Board on the remuneration packages of all Directors and senior management; 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 consists of three members: Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong and Mr. Howard Robert Balloch. Mr. Balloch is a non-executive Director and Mr. Owen and Mr. Wong are independent non-executive Directors. Mr. Owen is the chairman of the Remuneration Committee.



CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2016, the Remuneration Committee held five meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Peter Humphrey Owen	5/5
Mr. Chak Kei Jack Wong	5/5
Mr. Howard Robert Balloch	5/5

During the meetings, the Remuneration Committee reviewed and made 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 of the Company.

During the year ended 31 August 2016, total remuneration paid/payable to the senior management (including all executive Directors) by band expressed in Hong Kong dollars (“HK\$”) is set out below:

Band	Number of senior management
Nil to HK\$1,000,000	4
HK\$1,500,001 to HK\$2,000,000	1
HK\$3,000,001 to HK\$3,500,000	3
HK\$6,000,001 to HK\$6,500,000	1

Nomination and Corporate Governance Committee

The Company has established a Nomination and Corporate Governance Committee with written terms of reference in compliance with paragraphs A.5 and D.3 of the CG 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 CG Code and disclosure in the Corporate Governance Report.

The Nomination and Corporate Governance Committee consists of three members: Mr. Jen, Mr. Peter Humphrey Owen and Mr. Chak Kei Jack Wong. Mr. Jen is an executive Director and Mr. Owen and Mr. Wong are independent non-executive Directors. Mr. Jen is the chairman of the Nomination and Corporate Governance Committee.

CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2016, the Nomination and Corporate Governance Committee held one meeting. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/Number of meeting
Mr. Jen	1/1
Mr. Peter Humphrey Owen	1/1
Mr. Chak Kei Jack Wong	1/1

During the meeting, the Nomination and Corporate Governance Committee reviewed the structure, size, composition and diversity of the Board and discussed and made recommendations on the training and continuous professional development of Directors and senior management.

BOARD DIVERSITY POLICY

The Board Diversity Policy (the “**Policy**”) was adopted by the Company pursuant to the Board meeting held on 10 November 2014. The Policy aims to set out the approach to diversity on the Board and achieve a sustainable and balanced development.

The Nomination and Corporate Governance Committee is responsible for the monitoring and review of the Policy annually. During the year ended 31 August 2016, the Nomination and Corporate Governance committee was satisfied with the diversity of the existing Board and did not, for the time being, set up any measurable objective regarding the diversity of the Board.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2016.

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 Auditor’s Report on pages 76 to 77 in this report.

AUDITORS' REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditors for the year ended 31 August 2016. During the year ended 31 August 2016, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's external auditors are set out below:

Items of auditors' services	Amount RMB'000
Audit service:	
Annual audit service	2,400
Non-audit services:	
Tax advisory services	120
Review on continuing connected transactions	100
Total	2,620

INTERNAL CONTROLS

The Board is entrusted with an overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the Board oversees and monitors the Group's overall financial position so that the interests of the Shareholders are well protected and covered. During the year ended 31 August 2016, the Audit Committee has reviewed the potential areas of improvement on internal control of the Group. The Board has also reviewed updates on regulations regarding risk management and the effectiveness of the internal control systems of the Company, its subsidiaries and consolidated affiliated entities.

COMPANY SECRETARY

Ms. Wai Ling Chan ("**Ms. Chan**") of Tricor Services Limited ("**Tricor**"), an external service provider, has been engaged by the Company as its company secretary. On 1 September 2015, Mr. Chi Hung Lau ("**Mr. Derek Lau**"), who is a full time employee serving as vice president and head of investor relations of the Company, was appointed as joint company secretary together with Ms. Chan. Mr. Derek Lau is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed. Mr. Derek Lau and Ms. Grace Jen, assistant to chief financial officer, were the primary contact persons between the Company and Ms. Chan during her tenure.

On 27 November 2015, Ms. Chan resigned as joint company secretary upon the expiry of the service contract between Tricor and the Company and Mr. Derek Lau was re-designated as the company secretary of the Company. Mr. Derek Lau fulfills the requirements of Rule 3.28 of the Listing Rules and details of his professional qualifications are set out in the section headed "Directors and Senior Management" in this report.

Mr. Derek Lau undertook no less than 15 hours of relevant professional training during the year ended 31 August 2016.

CORPORATE GOVERNANCE REPORT

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 the Stock Exchange after each general meeting.

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

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

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal 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 and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

Putting Forward Enquiries to the Board

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

Contact Details

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

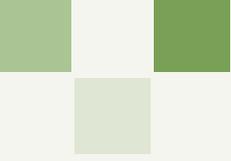
Address: Room 1302, 13/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong
(For the attention of Mr. Derek Lau, Vice President, Head of Investor Relations and Company Secretary)
Fax: (852) 35655967
Email: ir@mapleleaf.net.cn

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company has not made any changes to its Articles of Association during the year ended 31 August 2016. 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 AUDITOR'S REPORT

**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 78 to 148, which comprise the consolidated statement of financial position as at 31 August 2016, 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

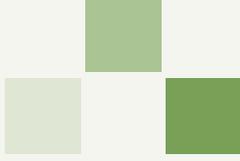
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the 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.



INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 August 2016, and of its financial performance 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

29 November 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 August 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	5	829,770	652,984
Cost of revenue		(428,029)	(354,277)
Gross profit		401,741	298,707
Investment and other income	6	32,426	17,313
Other gains and losses	7	40,754	37,468
Marketing expenses		(26,042)	(22,306)
Administrative expenses		(121,745)	(101,909)
Finance costs		–	(4,089)
Other expenses		(1,244)	(8,010)
Change in fair value on redeemable convertible preferred shares		–	(277)
Profit before taxation		325,890	216,897
Taxation	8	(18,326)	(11,351)
Profit for the year	9	307,564	205,546
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investments		(8,184)	(6,267)
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		14,301	(478)
Exchange difference arising on the translation of foreign operation		838	(972)
Other comprehensive income (expense) for the year		6,955	(7,717)
Total comprehensive income for the year		314,519	197,829
EARNINGS PER SHARE (RMB)	12		
Basic		0.23	0.17
Diluted		0.23	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current Assets			
Property, plant and equipment	13	1,505,847	1,397,751
Prepaid lease payments	14	166,165	170,454
Investment properties	15	11,568	16,996
Goodwill	16	12,399	12,399
Intangible assets		462	700
Available-for-sale investments	17	–	58,134
Books for lease		3,187	2,893
Pledged bank deposits	18	242,000	–
Deposits for construction of property and land use right		–	1,037
		1,941,628	1,660,364
Current Assets			
Inventories		9,421	1,395
Available-for-sale investments	17	–	100,000
Deposit, prepayments and other receivables	19	37,373	32,103
Bank balances and cash	20	1,237,902	1,022,141
		1,284,696	1,155,639
Current Liabilities			
Deferred revenue	21	802,848	660,138
Other payables and accrued expenses	22	336,972	295,116
Income tax payable		43,744	26,867
		1,183,564	982,121
Net Current Assets		101,132	173,518
Total Assets Less Current Liabilities		2,042,760	1,833,882

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2016

	NOTES	2016 RMB'000	2015 RMB'000
Capital And Reserves			
Share capital	24	8,418	8,411
Reserves		2,013,067	1,803,883
		2,021,485	1,812,294
Non-Current Liabilities			
Deferred tax liabilities	23	21,275	21,588
		21,275	21,588
		2,042,760	1,833,882

The consolidated financial statements on pages 78 to 148 were approved and authorised for issue by the Board of Directors on 29 November 2016 and are signed on its behalf by:

Shu Liang Sherman Jen
DIRECTOR

Jingxia Zhang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2016

	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (note a)	Investment valuation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note b)	Share-based payment reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000
At 1 September 2014	511	24,940	-	628	686	173,015	12,585	254,869	467,234
Profit for the year	-	-	-	-	-	-	-	205,546	205,546
Other comprehensive expenses for the year	-	-	-	(6,745)	(972)	-	-	-	(7,717)
Total comprehensive (expenses) income for the year	-	-	-	(6,745)	(972)	-	-	205,546	197,829
Transfer	-	-	-	-	-	6,021	-	(6,021)	-
Share-based payments	-	-	-	-	-	-	5,706	-	5,706
Conversion of redeemable convertible preferred shares (Note c)	131	476,664	-	-	-	-	-	-	476,795
Capitalisation issue (Note d)	5,562	(5,562)	-	-	-	-	-	-	-
Issuance of ordinary shares	2,049	759,080	-	-	-	-	-	-	761,129
Transaction cost attributable to issue of new ordinary shares	-	(34,619)	-	-	-	-	-	-	(34,619)
Exercise of share options	158	40,832	-	-	-	-	(17,108)	-	23,882
Dividends recognised as distribution (Note 11)	-	(26,680)	-	-	-	-	-	-	(26,680)
Repurchase of ordinary shares held for the restricted share award scheme	-	-	(58,982)	-	-	-	-	-	(58,982)
At 31 August 2015	8,411	1,234,655	(58,982)	(6,117)	(286)	179,036	1,183	454,394	1,812,294
Profit for the year	-	-	-	-	-	-	-	307,564	307,564
Other comprehensive income for the year	-	-	-	6,117	838	-	-	-	6,955
Total comprehensive income for the year	-	-	-	6,117	838	-	-	307,564	314,519
Transfer	-	-	-	-	-	14,187	-	(14,187)	-
Transfer from share premium to retained profits (Note e)	-	(340,853)	-	-	-	-	-	340,853	-
Share-based payments	-	-	-	-	-	-	18,489	-	18,489
Contribution from the controlling shareholder of the Company	-	500	-	-	-	-	-	-	500
Dividends recognised as distribution (Note 11)	-	(127,892)	-	-	-	-	-	-	(127,892)
Dividends distributed to the restricted share award scheme	-	2,574	-	-	-	-	-	-	2,574
Exercise of share options	7	2,110	-	-	-	-	(1,116)	-	1,001
Shares vested under restricted share award scheme	-	-	6,651	-	-	-	(14,034)	7,383	-
At 31 August 2016	8,418	771,094	(52,331)	-	552	193,223	4,522	1,096,007	2,021,485

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2016

Note a: Shares held for restricted share award scheme is comprised of the consideration paid for the shares held for the share award scheme (“Share Award Scheme”).

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.

Note c: On 12 March 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, Series A 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 9 May 2008.

On 28 November 2014, the Series A Preferred Shares were converted into the Company’s ordinary shares at par value of US\$0.001 each. Immediately before the conversion, the fair value of the Series A Preferred Shares was approximately RMB476,795,000, which was measured by the Company with reference to the closing price on the conversion date of HK\$2.89 per share as adjusted by an estimated discount rate for the restriction of trading given the converted ordinary shares are prohibited for sale for six months after the listing date.

Note d: In November 2014, the Company capitalised the sum of US\$906,601 (equivalent to RMB5,562,000) standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 906,600,668 shares of US\$0.001 each for allotment to the shareholders whose names appear on the register of members of the Company immediately before the listing (the “Capitalisation Issue”).

Note e: On 27 November 2015, the Company decided to eliminating all the accumulated losses of the Company by reducing an amount of RMB340,853,000 standing to the credit of the share premium account of the Company as at 31 August 2015 and applying the credit arising from such reduction to set off all the accumulated losses of the Company. The decision was approved by the board of directors on 27 November 2015.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	325,890	216,897
Adjustments for:		
Amortisation of books for lease	2,543	2,651
Amortisation of intangible assets	238	–
Change in fair value on redeemable convertible preferred shares	–	277
Depreciation of investment properties	733	854
Depreciation of property, plant and equipment	42,257	42,835
Dividends from available-for-sale investments	(3,466)	(406)
Exchange gain	(15,384)	(3,834)
Finance costs	–	4,089
Gain on disposal of available-for-sale investments	(14,301)	(478)
Interest income	(18,154)	(9,099)
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments	8,052	(32,270)
Release of prepaid lease payments	4,353	4,393
Share-based payments	18,489	5,706
Operating cash flows before movements in working capital	351,250	231,615
Increase in deferred revenue	142,710	159,907
Increase in other payables and accrued expenses	44,848	44,189
(Increase) decrease in deposits, prepayment and other receivables	(14,297)	2,067
Increase in inventories	(8,026)	(1,395)
Cash generated from operations	516,485	436,383
Income tax paid	(1,762)	(1,443)
Interest received	18,154	9,099
NET CASH FROM OPERATING ACTIVITIES	532,877	444,039

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2016

	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale investments	178,552	161,591
Proceeds on disposal of property, plant and equipment and prepaid lease payments	10,280	9,602
Dividends received from available-for-sale investments	3,466	406
Payments for property, plant and equipment	(146,713)	(212,259)
Net cash outflow from acquisition of a subsidiary (Note 29)	(9,540)	(36,460)
Purchase of books for lease	(2,837)	(2,137)
Purchase of available-for-sale investments	–	(164,251)
Withdrawal of restricted bank deposits	–	4,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES	33,208	(239,508)
FINANCING ACTIVITIES		
Placement of pledged bank deposits	(242,000)	–
Dividends paid	(125,318)	(26,680)
Proceeds from exercise of share options	1,001	23,882
Contribution from shareholder of the Company	500	–
Repayments of bank borrowings	–	(223,500)
Payments for repurchase of ordinary shares under the share award scheme	–	(58,982)
Payment for transaction costs attributable to issue of new ordinary shares	–	(34,619)
Interest paid	–	(4,089)
Repayment of amounts due to a related party	–	(3,544)
Proceeds from issue of ordinary shares	–	761,129
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(365,817)	433,597
NET INCREASE IN CASH AND CASH EQUIVALENTS	200,268	638,128
CASH AND CASH EQUIVALENTS AT 1 SEPTEMBER	1,022,141	380,332
Effect of foreign exchange rate changes	15,493	3,681
CASH AND CASH EQUIVALENTS AT 31 AUGUST REPRESENTED BY BANK BALANCES AND CASH	1,237,902	1,022,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on 5 June, 2007. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands (“**BVI**”) and its ultimate controlling party is Mr. Sherman Jen, who is also the Chairman of the board and 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, 6 Central Street, Jinshitan National Tourist Area, Dalian, Liaoning Province 116650, the People’s Republic of China (“**PRC**”).

The Group operates a network of bilingual private schools and preschools in the PRC under the “**Maple Leaf**” brand, 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**”), Wuhan Maple Leaf Foreign National School (“**Wuhan Foreign School**”) and Yiwu Maple Leaf Foreign National School (“**Yiwu 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

1. GENERAL (Continued)

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

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

	2016 RMB'000	2015 RMB'000
Revenue	653,041	476,821
Profit before taxation	268,084	139,917

	2016 RMB'000	2015 RMB'000
Non-current assets	1,227,104	1,122,591
Current assets	926,987	591,991
Current liabilities	(927,469)	(765,537)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and revised IFRSs issued but not effective

The Group has not early applied the following 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 ¹
IFRS 16	Leases ³
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to IFRS 15	Clarification to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IAS 1	Disclosure Initiative ⁴
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁴
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁴
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to IAS 7	Disclosure Initiative ⁶
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁶

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after a date to be determined

⁶ Effective for annual periods beginning on or after 1 January 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 9 Financial instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 “Financial instruments: Recognition and measurement” are required to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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 attributable to a financial liability’s 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 is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 9 Financial instruments (Continued)

Key requirements of IFRS 9: (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company are in the process of assessing the financial impact of the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have no significant impact on the amounts reported and disclosures made in the Group consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of IFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in these consolidated financial statements.

The directors of the Company anticipate that the application of IFRS 16 in the future may have no significant impact on the amounts reported and disclosures made in the Group consolidated financial statements.

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.

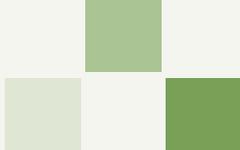
3. SIGNIFICANT ACCOUNTING POLICIES

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

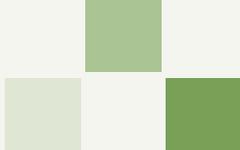
Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- (i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively;
- (ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace “share-based payment” arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below); and
- (iii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business less accumulated impairment losses, if any.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

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 goods and 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.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Leasing

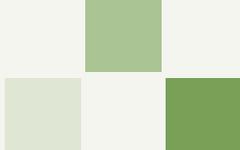
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

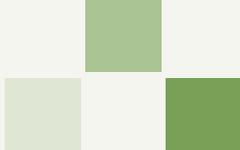
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

Deferred tax 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 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Intangible assets

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventories

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

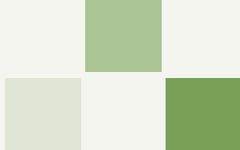
Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, pledged bank deposits 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 of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

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 of financial assets below).

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale non-monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

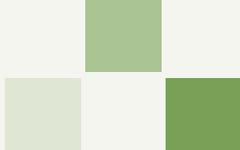
Impairment of financial assets

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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.

Financial liabilities

Financial liabilities including other payables is subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

Share-based payment arrangements

Share-based payment transactions of the Company

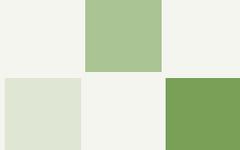
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

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, the directors of the Company are 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 judgment

The following is the critical accounting judgment, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

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 financial year.

(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 31 August 2016, the carrying amount of property, plant and equipment was RMB1,505,847,000 (2015: RMB1,397,751,000). Any change in these estimates may have a material impact on the results of the Group.

(b) Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The board of directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. When 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.

The Group uses valuation techniques that include inputs that are not based on the observable market data to estimate the fair value of certain types of financial instruments. Note 28 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

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 goods and educational materials to students, less returns, discounts, sales related tax and value added 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 available for assessment of the performance of different services, no segment information is presented.

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

	2016 RMB'000	2015 RMB'000
Tuition and boarding fees	694,780	554,586
Others	134,990	98,398
	829,770	652,984

Major customers

No single customer contributes 10% or more of total revenue of the Group for the years ended 31 August 2016 and 2015.

Geographical information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

6. INVESTMENT AND OTHER INCOME

	2016 RMB'000	2015 RMB'000
Bank interest income	17,453	8,468
Dividend income from available-for-sale investments	3,466	406
Rental income from investment properties	2,761	2,966
Interest income from short term investment	701	631
Government grant	8,032	3,845
Others	13	997
	32,426	17,313

7. OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Net foreign exchange gain	15,384	3,834
Gain on disposal of available-for-sale investments	14,301	478
Reversal of other payables	18,866	-
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments (Note)	(8,052)	32,270
Others	255	886
	40,754	37,468

Note: On 22 September 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 disposal of the buildings and land use right was completed in April 2015, and a gain of RMB32,289,000 was recognised during the year ended 31 August 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

8. TAXATION

	2016 RMB'000	2015 RMB'000
The charge comprises		
PRC Enterprise Income Tax ("EIT")	18,639	11,351
Deferred tax (Note 23)	(313)	–
	18,326	11,351

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

	2016 RMB'000	2015 RMB'000
Profit before taxation	325,890	216,897
Tax at PRC EIT rate of 25%	81,472	54,225
Tax effect of preferential tax rate granted	–	(6,317)
Tax effect of tax loss not recognised	2,142	1,067
Utilisation of tax loss previously not recognised	(1,278)	(4,108)
Tax effect of income not taxable for tax purposes	(168,893)	(128,620)
Tax effect of expenses not deductible for tax purposes	104,883	95,104
Tax charge for the year	18,326	11,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

8. TAXATION (Continued)

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

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

During the year ended 31 August 2015, Beipeng Software obtained the approval from the tax bureau for the application of the preferential tax rate, and is eligible for tax holidays and concessions as follows: (a) Exempt PRC EIT for two years starting from the first profit-generating year, which is 2011, and (b) Followed by a 50% reduction in the next three years thereafter. The year ended 31 August 2015 was the last year applying the preferential tax rate. Beipeng Software is subject to the PRC EIT rate of 25% (2015: 12.5%) during the year ended 31 August 2016. Beipeng is in the process of applying for High and New Technology Enterprise status and if successful, it will be subject to a tax rate of 15% for the calendar year of 2016.

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), Tianjin Taida Maple Leaf International School, Wuhan Maple Leaf International School, Wuhan Maple Leaf School, Zhenjiang Maple Leaf International School, Chongqing Maple Leaf International School, Tianjin Huayuan Maple Leaf International School, Inner Mongolia Erdos Maple Leaf School International School, Shanghai Maple Leaf International School, Yiwu Maple Leaf International School affiliated School and Zhejiang Yiwu Maple Leaf International School have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities. During the year ended 31 August 2016, non-taxable tuition income was RMB675,573,000 (2015: RMB514,480,000), and the related expense not deductible is RMB295,986,000 (2015: RMB253,428,000).

As at 31 August 2016, the Group had unused tax loss of RMB16,638,000 (2015: RMB15,249,000) 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 RMB16,638,000 (2015: RMB15,249,000) as of 31 August 2016 will expire in various years before 2021 (2015: 2020).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,035,441,000 at 31 August 2016 (2015: RMB725,301,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

9. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	330,417	276,644
– retirement benefit scheme contributions	15,051	10,930
– share-base payments	18,489	5,706
Total staff costs	363,957	293,280
Gross rental income from investment properties	(2,761)	(2,966)
Less:		
Direct operating expenses (including depreciation) incurred for investment properties that generated rental income during the year (included in other expenses)	1,230	1,404
	(1,531)	(1,562)
Depreciation of property, plant and equipment	42,257	42,835
Depreciation of intangible assets	238	–
Depreciation of investment properties	733	854
Release of prepaid lease payments	4,353	4,393
Amortisation of books for lease	2,543	2,651
Auditors' remuneration	2,683	2,603
Listing-related expenses (included in other expenses)	–	6,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

10. 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 31 August 2016:

	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	–	3,820	1,146	15	4,981
– Zhang Jingxia	–	1,834	843	–	2,677
– Liu Zhenwan	–	1,848	674	–	2,522
– James William Beeke	–	1,750	843	–	2,593
Non-executive director					
– Howard Robert Balloch	320	–	169	–	489
Independent non-executive directors					
– Peter Humphrey Owen	341	–	169	–	510
– Chak Kei Jack Wong	329	–	113	–	442
– Lap Tat Arthur Wong	371	–	169	–	540
Total	1,361	9,252	4,126	15	14,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executives (Continued)

For the year ended 31 August 2015:

	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	–	2,311	1,351	–	3,662
– Zhang Jingxia	–	1,307	358	–	1,665
– Liu Zhenwan	–	1,573	671	–	2,244
– James William Beeke	–	1,293	448	–	1,741
Non-executive director					
– Howard Robert Balloch	233	–	448	–	681
Independent non-executive directors					
– Peter Humphrey Owen	248	–	448	–	696
– Chak Kei Jack Wong	225	–	–	–	225
– Lap Tat Arthur Wong	257	–	–	–	257
Total	963	6,484	3,724	–	11,171

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

Mr. Liu Zhenwan, who joined the Group in March 2014, has resigned from his position as an executive Director, vice chairman of the Board, president and co-chief executive officer of the Company effective from 15 August 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

The five highest paid individuals of the Group included four directors for the year ended 31 August 2016 (2015: four) whose emoluments are included in the disclosures above. The emoluments of the remaining individual for the year ended 31 August 2016 (2015: one), are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other benefits	1,517	378
Share-based payments	118	448
Retirement benefit scheme contributions	15	5
	1,650	831

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

	2016 RMB'000	2015 RMB'000
Hong Kong Dollars ("HK\$") 1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	–

No inducement paid or payable by the Group to the directors of the Company to join or upon joining the Group and no directors has waived any remuneration during in both years.

11. DIVIDENDS

During the year ended 31 August 2016, a final dividend of HK\$0.043 per share and a special dividend of HK\$0.027 per share (total dividend of RMB79,915,000) in respect of the year ended 31 August 2015 and an interim dividend of HK\$0.042 per share (total dividend of RMB47,977,000) in respect of the six months ended 29 February 2016 were paid to the shareholders of the Company and the trustee holding the shares under Share Award Scheme.

During the year ended 31 August 2015, an interim dividend of HK\$0.025 per share (total dividend of RMB26,680,000) in respect of the six months ended 28 February 2015 were paid to the shareholders of the Company.

A final dividend of HK\$0.058 per share in respect of the year ended 31 August 2016 has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

12. EARNINGS PER SHARE

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

	2016 RMB'000	2015 RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share	307,564	205,546
Change in fair value on redeemable convertible preferred shares	–	277
Earnings for the purpose of diluted earnings per share	307,564	205,823
	2016 '000	2015 '000
Numbers of shares:		
Number of ordinary shares for the purpose of basic earnings per share	1,329,293	1,202,362
Effect of dilutive potential ordinary shares:		
Share options	830	10,184
Share Award Scheme	1,838	–
Preferred shares	–	55,239
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,331,961	1,267,785

The number of shares adopted in the calculating of the basic earnings per share for the year ended 31 August 2016 and 2015 has been arrived at after eliminating the ungranted or unvested shares of the Company held under the Company's share award scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 September 2014	1,302,139	3,801	7,485	19,299	59,851	14,970	1,407,545
Additions	20,773	–	1,062	2,739	7,994	206,548	239,116
Acquisitions through business combination	29,100	–	–	–	–	–	29,100
Transfer	189,067	–	–	–	–	(189,067)	–
Disposals	(56,405)	–	(196)	(433)	(877)	–	(57,911)
Exchange adjustment	–	–	–	–	–	(819)	(819)
At 31 August 2015	1,484,674	3,801	8,351	21,605	66,968	31,632	1,617,031
Additions	3,320	–	1,227	6,581	7,498	134,635	153,261
Transfer from construction in progress	142,599	8,979	–	–	–	(151,578)	–
Transfer from investment properties	7,382	–	–	–	–	–	7,382
Disposals	(9,391)	–	–	(1,797)	(583)	–	(11,771)
Exchange adjustment	–	–	–	–	–	729	729
At 31 August 2016	1,628,584	12,780	9,578	26,389	73,883	15,418	1,766,632
DEPRECIATION							
At 1 September 2014	134,985	3,558	4,811	9,260	36,034	–	188,648
Provided for the year	33,458	20	840	2,111	6,406	–	42,835
Eliminated on disposals	(10,777)	–	(186)	(408)	(832)	–	(12,203)
At 31 August 2015	157,666	3,578	5,465	10,963	41,608	–	219,280
Provided for the year	30,110	4	975	3,480	7,688	–	42,257
Transfer from investment properties	2,687	–	–	–	–	–	2,687
Eliminated on disposals	(1,466)	–	–	(1,478)	(495)	–	(3,439)
At 31 August 2016	188,997	3,582	6,440	12,965	48,801	–	260,785
NET BOOK VALUES							
At 31 August 2016	1,439,587	9,198	3,138	13,424	25,082	15,418	1,505,847
At 31 August 2015	1,327,008	223	2,886	10,642	25,360	31,632	1,397,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

13. 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 31 August 2016 and 2015, the Group had not pledged its buildings 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 31 August 2016, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB377,371,000 (2015: RMB328,505,000) which are located in the PRC.

14. 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:

	2016 RMB'000	2015 RMB'000
Current assets (included in deposits, prepayment and other receivables)	4,335	4,399
Non-current assets	166,165	170,454
	170,500	174,853

The prepaid lease payments represent the land use rights and are amortised on a straight-line basis over lease terms of 31 to 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At 31 August 2016 and 2015, the Group had not pledged its land use rights to banks to secure the credit facilities granted to the Group.

At 31 August 2016, the carrying value of the land use right of RMB37,841,000 (2015: RMB38,810,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

15. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 September 2015	26,057
Transfer to property, plant and equipment	(7,382)
At 31 August 2016	18,675
DEPRECIATION	
At 31 August 2015	9,061
Provided for the year	733
Transfer to property, plant and equipment	(2,687)
At 31 August 2016	7,107
CARRYING VALUES	
At 31 August 2016	11,568
At 31 August 2015	16,996

The fair value of the Group's investment properties at 31 August 2016 was RMB33,000,000 (2015: 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 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 31 August 2016	11,568	33,000
At 31 August 2015	16,996	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

16. GOODWILL

	RMB'000
COST AND CARRYING VALUES	
At 31 August 2015, 1 September 2015 and 31 August 2016	12,399

The goodwill arose from acquisitions of Dalian Maple Leaf Lanxi Wenyuan Preschool (“Lanxi”), Dalian Maple Leaf Jinhai Preschool (“Jinhai”) and Jingzhou Maple Leaf International School (“Jingzhou”) in June 2007, April 2009 and August 2015, respectively. Goodwill arose in acquisition of subsidiaries, at acquisition, to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2016 RMB'000	2015 RMB'000
Cash-generating units:		
Lanxi	1,026	1,026
Jinhai	956	956
Jingzhou	10,417	10,417
	12,399	12,399

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. During the years ended 31 August 2016 and 2015, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill.

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

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 18% (2015: 16.5%). Lanxi’s cash flows beyond the five-year period are extrapolated using 5% (2015: 5%) growth which is based on the estimation of this preschool’s future 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

16. GOODWILL (Continued)

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 18% (2015: 16.5%). Jinhai's cash flows beyond the five-year period are extrapolated using 1% (2015: 5%) growth which is assumed based on the estimation of this preschool's future 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.

Jingzhou

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 18% (2015: 16.5%). Jingzhou's cash flows beyond the five-year period are extrapolated using 3% (2015: 3%) growth which is assumed based on the estimation of this school's future 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.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
At fair value:		
– Equity securities listed in Australia	–	58,134
– Unlisted financial products issued by banks	–	100,000
	–	158,134
Analysed for reporting purpose as:		
Current assets	–	100,000
Non-current assets	–	58,134
	–	158,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

17. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

As at 31 August 2015, included in available-for-sale investments amounted to RMB58,134,000 were denominated in Australian dollar (“AUD”) other than the functional currency of the relevant group entity to which they relate.

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

18. PLEDGED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Deposits pledged for banking facilities	242,000	–

The amount represents bank deposits pledged to banks as security for certain banking facilities granted to the Group.

Dalian Educational Group, subsidiaries of the Company, entered into a banking facility agreement with United Overseas Bank on 23 August 2016 for a banking facility, which is secured by a pledge over Dalian Educational Group deposits amounting to RMB132,000,000 placed with the bank at the interest rate of 2.61% per annum.

Dalian High School, a subsidiary of the Company, entered into a banking facility agreement with China Merchants Bank on 20 July 2016 for a banking facility, which is secured by a pledge over Dalian High School deposits amounting to RMB110,000,000 placed with the bank at the interest rate of 2.55% per annum.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepaid rent and other prepaid expenses	11,357	5,137
Other deposits	5,366	5,885
Prepaid lease payments	4,335	4,399
Staff advances	739	1,853
Management fees receivables	6,611	–
Other receivables	8,965	4,829
Receivable in respect of disposal of properties	–	10,000
	37,373	32,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

20. BANK BALANCES AND CASH

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 31 August 2016, the Group's bank deposits carried a weighted-average interest rate of 0.49% per annum (2015: 0.62% per annum).

At the end of each 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.

	2016 RMB'000	2015 RMB'000
Currency:		
United States dollar ("USD")	4,509	3,774
HK\$	38,430	36,336
Canadian dollar ("CAD")	129,801	138,227
AUD	–	68,819
	172,740	247,156

21. DEFERRED REVENUE

	2016 RMB'000	2015 RMB'000
Tuition and boarding fees	758,990	621,175
Others	43,858	38,963
	802,848	660,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

22. OTHER PAYABLES AND ACCRUED EXPENSES

	2016 RMB'000	2015 RMB'000
Other tax payables	15,705	15,907
Payables for purchase of property, plant and equipment	88,066	81,518
Payables for purchase of goods	4,412	748
Consideration payable for business combination	–	9,540
Miscellaneous expenses received from students (Note)	159,107	132,150
Deposits received from students	20,339	19,369
Accrued payroll	14,926	10,635
Prepayment from lessee	107	80
Accrued operating expenses	1,807	1,754
Payable for land use right	3,000	3,000
Other payables	29,503	20,415
	336,972	295,116

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:

	Fair value Adjustment on assets acquired through business combination RMB'000	Services income (note) RMB'000	Total RMB'000
At 1 September 2014	–	19,171	19,171
Acquisition of a subsidiary	2,417	–	2,417
At 31 August 2015	2,417	19,171	21,588
Credit to profit or loss	(313)	–	(313)
At 31 August 2016	2,104	19,171	21,275

Note: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

24. SHARE CAPITAL

	Number of shares '000	Amount US\$'000	Shown in the financial statements as RMB'000
Ordinary shares of US\$0.001 each			
Authorised			
At 1 September 2014	179,000	179	1,271
Increase through re-designation from redeemable convertible preferred shares (Note a)	21,000	21	129
Increase in authorised capital (Note b)	3,800,000	3,800	23,311
At 31 August 2015 and 31 August 2016	4,000,000	4,000	24,711
Issued and fully paid			
At 1 September 2014	72,000	72	511
Conversion of redeemable convertible preferred shares (Note c)	21,399	21	131
Capitalisation Issue	906,601	907	5,562
Issue of shares on initial public offering (Note d)	334,000	334	2,049
Issue of shares on exercise of share options (Note e)	25,680	26	158
At 31 August 2015	1,359,680	1,360	8,411
Issue of shares on exercise of share options (Note f)	1,071	1	7
At 31 August 2016	1,360,751	1,361	8,418

Notes:

- a. In November 2014, 21,000,000 issued and unissued redeemable convertible preferred shares is re-designated as one ordinary share at par value of US\$0.001 each.
- b. The authorised share capital of the Company was increased from US\$200,000 to US\$4,000,000 at par value of US\$0.001 each.
- c. In November 2014, each of the Company's issued and outstanding redeemable convertible preferred shares were converted into approximately 1.19 shares immediately prior to the Capitalisation Issue.
- d. On 28 November 2014, the Company issued 334,000,000 ordinary shares at par value of US\$0.001 each pursuant to the global offering at the price of HK\$2.88 per share upon listing and the Company's shares were listed on the Stock Exchange on the same date.
- e. During the year ended 31 August 2015, share options to subscribe for 25,680,000 ordinary shares of US\$0.001 were exercised at RMB0.93 per share. These shares rank pari passu with other shares in issue in all respect.
- f. During the year ended 31 August 2016, share options to subscribe for 1,070,671 ordinary shares of US\$0.001 were exercised at RMB0.93 per share. These shares rank pari passu with other shares in issue in all respect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

25. 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.

26. SHARE-BASED PAYMENTS

Share Award Scheme

The Company's restricted share units scheme was adopted pursuant to a resolution passed on 10 November 2014 and subsequent modified to the Share Award Scheme on 28 April 2015 for the primary purpose of providing incentives to directors, eligible employees and consultants ("**Selected Participants**"). The Share Award Scheme has become effective on 28 April 2015. Under the Share Award Scheme, the board of directors of the Company may grant shares to eligible employees, including directors of the Company and its subsidiaries.

The Company has set up a trustee (the "**Trustee**") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. The Trustee purchases the Company's shares being awarded from the open market using cash contributed by the Company.

For the year ended 31 August 2015, the Trustee purchased 31,080,000 shares of the Company on the Stock Exchange at a total consideration of HK\$74,743,000 (equivalent to RMB58,982,000) for the Share Award Scheme.

During the year ended 31 August 2016, the Company granted 7,162,195 restricted shares to its directors and eligible employees.

Details of specific category of restricted shares under Share Award Scheme are as follows:

Restricted shares type	Date of grant	Date of expiration	Restricted shares granted	Vesting date/period	Exercise price RMB	Fair value at grant date RMB
Share Award Scheme-1st	1 March 2016	27 April 2025	2,773,000	31 May 2016	-	3.57
Share Award Scheme-2nd	1 March 2016	27 April 2025	2,431,000	31 May 2017	-	3.57
Share Award Scheme-3rd	1 March 2016	27 April 2025	1,226,000	31 May 2018	-	3.57
Share Award Scheme-4th	20 June 2016	27 April 2025	732,195	20 June 2016 -31 July 2016	-	5.66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. SHARE-BASED PAYMENTS (Continued)

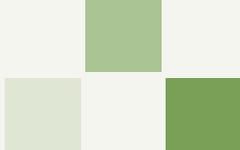
Share Award Scheme (Continued)

The following table discloses movements of the restricted shares under Share Award Scheme held by the directors of the Company, and its employees during the year ended 31 August 2016.

For the year ended 31 August 2016

	Date of grant	Restricted shares type	Outstanding at 1 September 2015	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 August 2016
Executive director							
Sherman Jen	20 June 2016	Share Award Scheme-4th	-	203,410	(203,410)	-	-
Zhang Jingxia	20 June 2016	Share Award Scheme-4th	-	149,566	(149,566)	-	-
Liu Zhenwan*	20 June 2016	Share Award Scheme-4th	-	119,653	(119,653)	-	-
James William Beeke	20 June 2016	Share Award Scheme-4th	-	149,566	(149,566)	-	-
Non-executive director							
Howard Robert Balloch	20 June 2016	Share Award Scheme-4th	-	30,000	(30,000)	-	-
Independent non-executive director							
Peter Humphrey Owen	20 June 2016	Share Award Scheme-4th	-	30,000	(30,000)	-	-
Lap Tat Arthur Wong	20 June 2016	Share Award Scheme-4th	-	30,000	(30,000)	-	-
Chak Kei Jack Wong	20 June 2016	Share Award Scheme-4th	-	20,000	(20,000)	-	-
Employees							
	1 March 2016	Share Award Scheme-1st	-	2,773,000	(2,773,000)	-	-
	1 March 2016	Share Award Scheme-2nd	-	2,431,000	-	(192,000)	2,239,000
	1 March 2016	Share Award Scheme-3rd	-	1,226,000	-	(126,000)	1,100,000
Total			-	7,162,195	(3,505,195)	(318,000)	3,339,000

* Resigned on 15 August 2016



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. SHARE-BASED PAYMENTS (Continued)

Share Award Scheme (Continued)

For the year ended 31 August 2016 (Continued)

Pursuant to the Scheme, the 1st, 2nd and 3rd restricted shares type granted subject to satisfaction of certain performance targets on the Group's annual revenue and net profit excluding all exceptional and non-recurring items in the consolidated statement of profit or loss for the financial period ended 29 February 2016, the financial year ended 31 August 2016 and the financial year ending 31 August 2017, respectively, as vesting conditions.

The 4th restricted shares type was granted on 20 June 2016 and shall be fully vested on 31 July 2016 without any performance conditions.

The Group recognised the total expense of RMB18,114,000 for the year ended 31 August 2016 (2015: nil), in relation to the restricted shares granted by the Company under the Share Award Scheme.

Post-IPO Share Option Scheme

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

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

Under the Post-IPO Share Option Scheme, the board of directors of the Company may grant options to employees to subscribe for shares in the Company, up to a total of 600,000 shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

Details of specific category of options are as follows:

Tranche	Date of grant	Date of expiration	Option granted	Vesting date	Exercisable period	Exercise price HK\$	Fair value at grant date HK\$
Post-IPO-1st	16 February 2016	15 February 2026	200,000	1 March 2017	1 March 2017- 15 February 2026	4.40	2.27
Post-IPO-2nd	16 February 2016	15 February 2026	200,000	1 March 2018	1 March 2018- 15 February 2026	4.40	2.37
Post-IPO-3rd	16 February 2016	15 February 2026	200,000	1 March 2019	1 March 2019- 15 February 2026	4.40	2.46

The closing price of the Company's shares immediately before 16 February 2016, the date of grant, was HK\$4.24.

There was no share option under Post-IPO Share Option Scheme held by directors of the Company during the year ended 31 August 2016. The following table discloses movements of the Company's share options under Post-IPO Share Option Scheme held by the Group's employees during the year ended 31 August 2016:

	Date of grant	Outstanding at 1 September 2015	Granted during the year	Forfeited during the year	Outstanding at 31 August 2016
Employees					
In aggregate	16 February 2016	—	600,000	—	600,000
Exercisable at the end of the period					—

The outstanding share options under Post-IPO Share Option Scheme were 600,000 as at 31 August 2016, no share options exercised, or cancelled during the year ended 31 August 2016.

The following assumptions were used to calculate the fair values of share options granted at date of grant:

	Option types		
	Post-IPO-1st	Post-IPO-2nd	Post-IPO-3rd
Grant date share price (HK\$)	4.40	4.40	4.40
Exercise price (HK\$)	4.40	4.40	4.40
Expected volatility	56.56%	56.56%	56.56%
Contractual option life	10	10	10
Dividend yield	0.68%	0.68%	0.68%
Risk-free interest rate	2.88%	2.88%	2.88%
Exercise multiple	2.2	2.2	2.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expense of RMB375,000 for the year ended 31 August 2016 (2015: nil), in relation to the Post-IPO share options granted by the Company.

Pre-IPO Share Option Scheme

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

The number of share options outstanding disclosed below has been respectively adjusted to reflect the Capitalisation Issue that became effective on 28 November 2014.

Under the Pre-IPO Share Option Scheme, the board of directors of the Company may grant options to eligible directors, employees and consultants to subscribe for shares in the Company, up to a total of 33,351,416 shares.

Details of specific category of options are as follows:

Options type	Date of grant	Date of expiration	Options granted	Vesting period	Exercisable period	Fair value	
						Exercise price RMB	at grant date RMB
Pre-IPO-1st	1 September 2008	31 August 2018	16,274,206	1 September 2008 – 31 August 2012	1 September 2009 – 31 August 2018	0.93	0.24
Pre-IPO-2nd	1 September 2009	31 August 2018	3,426,149	1 September 2009 – 31 August 2013	1 September 2010 – 31 August 2019	0.93	0.28
Pre-IPO-3rd	2 June 2014	1 June 2024	13,651,061	2 June 2014 – Listing Date	Listing Date – 1 June 2024	0.93	1.12

The outstanding share options under Pre-IPO Share Option Scheme were 176,716 as at 31 August 2016 and 1,247,387 as at 31 August 2015. 1,070,671 and 25,680,000 share options have been exercised during the years ended 31 August 2016 and 2015 respectively. No share options granted or cancelled during the years ended 31 August 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

The following table discloses movements of the Company's share options under Pre IPO Scheme held by directors of the Company, employees and the consultants during the years ended 31 August 2016 and 2015:

For the year ended 31 August 2016

	Date of grant	Option type	Outstanding at 1 September 2015	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 August 2016
Executive director							
Sherman Jen	2 June 2014	Pre-IPO-3rd	2,015	-	-	-	2,015
Zhang Jingxia	2 June 2014	Pre-IPO-3rd	1,007	-	-	-	1,007
Liu Zhenwan*	2 June 2014	Pre-IPO-3rd	1,007	-	-	-	1,007
James William Beeke	2 June 2014	Pre-IPO-3rd	671	-	-	-	671
Non-executive director							
Howard Robert Balloch	2 June 2014	Pre-IPO-3rd	1,070,671	-	-	(1,070,671)	-
Independent non-executive director							
Peter Humphrey Owen	2 June 2014	Pre-IPO-3rd	671	-	-	-	671
Employees and consultants							
In aggregate	1 September 2008	Pre-IPO-1st	6,782	-	-	-	6,782
	1 September 2009	Pre-IPO-2nd	161,574	-	-	-	161,574
	2 June 2014	Pre-IPO-3rd	2,989	-	-	-	2,989
Total			1,247,387	-	-	(1,070,671)	176,716
Exercisable at the end of the year							176,716

* Resigned on 15 August 2016

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was approximately HK\$7.18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

For the year ended 31 August 2015

	Date of grant	Option type	Outstanding at 1 September 2014	Granted during the year	Exercised during the year	Outstanding at 31 August 2015
Executive director						
Sherman Jen	2 June 2014	Pre-IPO-3rd	3,212,015	–	(3,210,000)	2,015
Zhang Jingxia	1 September 2008	Pre-IPO-1st	749,470	–	(749,470)	–
	2 June 2014	Pre-IPO-3rd	856,537	–	(855,530)	1,007
Liu Zhenwan	2 June 2014	Pre-IPO-3rd	1,606,007	–	(1,605,000)	1,007
James William Beeke	2 June 2014	Pre-IPO-3rd	1,070,671	–	(1,070,000)	671
Non-executive director						
Howard Robert Balloch	2 June 2014	Pre-IPO-3rd	1,070,671	–	–	1,070,671
Independent non-executive director						
Peter Humphrey Owen	2 June 2014	Pre-IPO-3rd	1,070,671	–	(1,070,000)	671
Employees and consultants						
In aggregate	1 September 2008	Pre-IPO-1st	10,813,782	–	(10,807,000)	6,782
	1 September 2009	Pre-IPO-2nd	1,713,074	–	(1,551,500)	161,574
	2 June 2014	Pre-IPO-3rd	4,764,489	–	(4,761,500)	2,989
Total			26,927,387	–	(25,680,000)	1,247,387
Exercisable at the end of the year						1,247,387

Pursuant to the Scheme, the 1st and 2nd 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:

- (1) up to 20% of the option will be exercisable during the period from the vesting commencement date and ending on the date of expiration;
- (2) 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;
- (3) 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;
- (4) 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
- (5) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (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 grant date:

	Option types		
	Pre-IPO-1st	Pre-IPO-2nd	Pre-IPO-3rd
Fair value of ordinary share (RMB)	0.64	0.73	1.98
Exercise price (RMB)	0.93	0.93	0.93
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 been adjusted for the effect of the Capitalisation Issue.

The Group recognised the total expense of nil for the year ended 31 August 2016 (2015: RMB5,706,000) in relation to the Pre-IPO share options granted by the Company.

In calculating the fair value of the options under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, the following major assumptions were used:

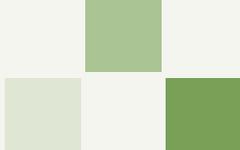
(1) Risk-free interest rate

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

Under Pre-IPO Share Option Scheme, according to management, at the time of granting the share options, 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.

Under Post-IPO Share Option Scheme, it is assumed that the dividend yield to ordinary shares during the expected life of the option is 0.68%.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

26. 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.

27. 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 bank balance and cash and equity attributable to equity holders of the Company, comprising capital, reserves and accumulated profits.

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 repurchase of shares or issue of new shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables	1,488,867	1,036,970
Available-for-sale investments	–	158,134
	1,488,867	1,195,104
Financial liabilities		
Liabilities measured at amortised cost	304,427	266,740
	304,427	266,740

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivables, available-for-sale investments, bank balances and cash, pledged bank deposits and other payables. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

28. 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, other receivables and other payables 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:

	2016 RMB'000	2015 RMB'000
USD Assets	4,509	3,774
AUD Assets	–	126,953
CAD Assets	129,801	138,227
HK\$ Assets	38,573	36,605
Liabilities	4,725	3,416

Sensitivity analysis

The Group is mainly exposed to the USD, AUD, CAD and HK\$. The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in RMB against USD, AUD, CAD and HK\$. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the year end for a 5% (2015: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit before tax and decrease in investment valuation reserve where RMB strengthens 5% against USD, AUD, CAD and HK\$. For a 5% (2015: 5%) weakening of RMB against USD, AUD, CAD and HK\$, there would be an equal and opposite impact on the profit and investment valuation reserve, and the balances below would be negative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

	2016 RMB'000	2015 RMB'000
Profit or loss related to USD	225	189
Profit or loss related to AUD	–	2,907
Investment valuation reserve related to AUD	–	3,441
	–	6,348
Profit or loss related to CAD	6,490	6,911
Profit or loss related to HK\$	1,685	1,646

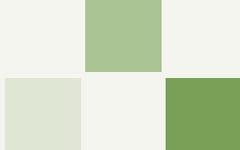
In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure at the end of the reporting year does not reflect the exposure for either year.

(ii) Interest rate risk

The Group is 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. 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate bank balances. If interest rates had been 5 basis points higher/lower and all other variables were held consistent, the Group's post-tax profit for the year ended 31 August 2016 would increase/decrease by RMB580,000 (2015: increase/decrease by RMB423,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Equity price risk

The Group is exposed to equity and price risk through its investments in listed equity securities for the year ended 31 August 2015, there is no investments in listed equity securities or other equity investments as at 31 August 2016. The management manages the exposure to equity price risk of investments in listed equity securities by maintaining a portfolio of investments with different risks and return profiles.

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, the potential effect on investment valuation reserve for the year ended 31 August 2015 would increase by RMB2,907,000. 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 31 August 2015 would decrease by RMB2,907,000.

In the opinion of the directors of the Company, 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 minimize 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

28. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

The Group manages liquidity risk by maintaining adequate bank balance and cash, monitoring forecast and actual cash flows.

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.

	On demand or less than 1 month RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non derivative financial liabilities			
Other payables	304,427	304,427	304,427
At 31 August 2016	304,427	304,427	304,427
Non derivative financial liabilities			
Other payables	266,740	266,740	266,740
At 31 August 2015	266,740	266,740	266,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

28. 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)
	31 August 2016	31 August 2015			
1) Available-for-sale investments – Listed equity securities (note 17)	-	Listed equity securities: – Education industry RMB58,134,000	Level 1	Quoted bid prices in an active market	-
2) Available-for-sale investments – Unlisted financial products (note 17)	-	Unlisted financial products RMB100,000,000	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

Reconciliation of Level 3 fair value measurements

	Available-for-sale investments – unlisted financial products	
	2016 RMB'000	2015 RMB'000
Opening balance	100,000	158,000
Purchase	-	100,000
Disposals	(100,000)	(158,000)
Closing balance	-	100,000

The Group recognised change in fair value on redeemable convertible preferred shares of RMB277,000 included in the profit or loss for the year ended 31 August 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

29. ACQUISITION OF A SUBSIDIARY

On 25 August 2015, the Group acquired 100% of the issued share capital of Jingzhou for the consideration of RMB46,000,000 from an independent third party. RMB32,800,000 of the total consideration was paid by cash to the original shareholder of Jingzhou and the remaining of the total consideration was set off the liabilities owed by Jingzhou to its creditors. This acquisition has been accounted for using the acquisition method. Jingzhou is engaged in providing middle and elementary school education services. Jingzhou was acquired so as to continue the expansion of the Group's operations.

During the years ended 31 August 2015 and 2016, the Group paid RMB36,460,000 and RMB9,540,000 respectively to the original shareholder of Jingzhou.

Acquisition-related costs amounting to RMB100,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 August 2015.

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

	RMB'000
Property, plant and equipment	29,100
Prepaid lease payment	8,200
Other intangible assets	700
Deferred tax liabilities	(2,417)
	35,583

The property, plant and equipment, prepaid lease payment and other intangible assets were valued at fair value by the Company with reference to an independent valuation provided by American Appraisal China Limited, an independent firm of professional valuers not connected with the Group, who has appropriate qualification and recent experience of valuation of similar assets. Its address is 13/F, On Hing Building, 1 On Hing Terrace, Central, Hong Kong.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	46,000
Less: fair value of identifiable net assets acquired	(35,583)
Goodwill arising on acquisition	10,417

Goodwill arose in the acquisition of Jingzhou because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the geographic location, networking effect as a result of synergy from the acquisition, growth prospect through increased sales volume and improved market position, and the assembled workforce of Jingzhou. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

30. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2016 RMB'000	2015 RMB'000
Premises	4,331	4,154

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:

	2016 RMB'000	2015 RMB'000
Within one year	4,555	3,663
In the second to fifth year inclusive	6,648	7,116
Over five years	4,205	2,608
	15,408	13,387

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.

The Group as lessor

Property rental income earned during the year was RMB2,761,000 (2015: RMB2,966,000). The properties are expected to generate rental yields of 15% based on the cost on an ongoing basis. Certain of the properties held have committed tenants for the next year.

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

	2016 RMB'000	2015 RMB'000
Within one year	2,004	1,673
In the second to fifth year inclusive	628	-
	2,632	1,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

31. CAPITAL COMMITMENTS

	2016 RMB'000	2015 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	42,378	5,776

There was no capital commitments for which were authorised but not contracted for as at 31 August 2016 and 2015.

32. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel

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

	2016 RMB'000	2015 RMB'000
Short-term benefits	13,518	8,925
Post-employment benefits	45	20
Share-based payments	4,126	4,297
	17,689	13,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

33. EVENTS AFTER THE REPORTING PERIOD

- (a) On 23 July 2016, Maple Leaf Asia Pacific Limited, a direct wholly-owned subsidiary of the Company, and Lucrum (Singapore) Real Estate Income Fund, an independent third party located in Singapore, entered into a sale and purchase agreement (“**the Agreement**”), pursuant to which Maple Leaf Asia Pacific Limited conditionally agreed to purchase, and Lucrum (Singapore) Real Estate Income Fund conditionally agreed to sell, the entire issued share capital of Lucrum Development (Singapore) Pte. Ltd. at a maximum cash consideration of Singapore dollar (“**S\$**”) 68,000,000 (equivalent to approximately RMB334,818,000).

The acquisition had been completed on 6 September 2016 at a final consideration of S\$67,302,663.51 (equivalent to approximately RMB330,833,000) with full payment on the same date.

- (b) As was disclosed in the Company’s announcements dated 9 June 2015 and 17 July 2015 and the Company’s circular dated 5 August 2015 (the “**Circular**”), the Company engaged Dingxianghui (Beijing) Investment Management Co., Ltd. (“**Dingxianghui**”) as the Company’s strategy and investment consultant and Hong Kong Zhixin Financial News Agency Ltd. (“**Zhixin**”) as the Company’s investor relations consultant in June 2015 for a term of three years. In consideration of their respective services for the three years, the Company agreed to grant to Dingxianghui and Zhixin options to subscribe for 7.5 million and 17.5 million shares of the Company respectively (the “**Dingxianghui Options**” and “**Zhixin Options**”, respectively), the exercise of which would be subject to fulfilment of certain conditions as set out in the Circular.

In an announcement dated 14 September 2016, the Company provided an update on the status of the consultants’ engagements, and stated among other things that, the services provided by the two consultants were not satisfactory, the Company had not granted any of the Dingxianghui Options or Zhixin Options to the consultants, and the Company would explore the termination of the engagements with the consultants.

By an announcement dated 28 November 2016, the Company provided a further update on the status of the consultants’ engagements including the fact that by an agreement made with the Company on 8 October 2016, Dingxianghui had agreed among other things to waive all its rights to the Dingxianghui Options and would continue to provide consultancy services to the Company on revised terms of remuneration. In the same announcement, the Company disclosed that it had received a writ of summons from Zhixin on 15 November 2016 claiming among other things specific performance by the Company of its obligations in respect of the Zhixin Options and damages in lieu or in addition thereof. On 28 November 2016, the Company filed with the High Court of the HKSAR its acknowledgement of service of the writ and indicated its intention to defend the claim.

The Board is of the view that any consequence that may result from the Company’s handling of these engagements, including the claim made by Zhixin, will not have any material adverse impact on the business operations and financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-Current Assets		
Investments in subsidiaries	192,696	192,696
Amounts due from subsidiaries	401,317	290,373
Property, plant and equipment	63	70
Available-for-sale investments	–	58,134
	594,076	541,273
Current Assets		
Deposit, prepayments and other receivables	143	269
Bank balances and cash	178,784	319,912
	178,927	320,181
Current Liabilities		
Other payables and accrued expenses	4,747	3,416
Amounts due to subsidiaries	17,339	19,741
	22,086	23,157
Net Current Assets	156,841	297,024
Total Assets Less Current Liabilities	750,917	838,297
Capital and Reserves		
Share capital (Note 24)	8,418	8,411
Reserves (Note)	742,499	829,886
	750,917	838,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

34. 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 held for restricted share award scheme RMB'000	Share-based payment reserve RMB'000	Retained profits (accumulated losses) RMB'000	Total RMB'000
At 1 September 2014	24,940	628	–	12,585	(335,633)	(297,480)
Loss for the year	–	–	–	–	(5,220)	(5,220)
Other comprehensive expenses for the year	–	(6,745)	–	–	–	(6,745)
Total comprehensive expenses for the year	–	(6,745)	–	–	(5,220)	(11,965)
Share-based payments	–	–	–	5,706	–	5,706
Conversion of redeemable convertible preferred shares (Note a)	476,664	–	–	–	–	476,664
Capitalisation issue	(5,562)	–	–	–	–	(5,562)
Issuance of ordinary shares	759,080	–	–	–	–	759,080
Expenses incurred in connection with the issuance of ordinary shares	(34,619)	–	–	–	–	(34,619)
Exercise of share options	40,832	–	–	(17,108)	–	23,724
Dividends recognised as distribution	(26,680)	–	–	–	–	(26,680)
Purchase of ordinary shares for the purpose of restricted share award scheme	–	–	(58,982)	–	–	(58,982)
At 31 August 2015	1,234,655	(6,117)	(58,982)	1,183	(340,853)	829,886
Profit for the year	–	–	–	–	12,331	12,331
Other comprehensive income for the year	–	6,117	–	–	–	6,117
Total comprehensive income for the year	–	6,117	–	–	12,331	18,448
Transfer from share premium to accumulated losses (Note b)	(340,853)	–	–	–	340,853	–
Share-based payments	–	–	–	18,489	–	18,489
Dividends recognised as distribution	(127,892)	–	–	–	–	(127,892)
Dividends distribute to the restricted share award scheme	2,574	–	–	–	–	2,574
Exercise of share options	2,110	–	–	(1,116)	–	994
Exercise of restricted shares	–	–	6,651	(14,034)	7,383	–
At 31 August 2016	770,594	–	(52,331)	4,522	19,714	742,499

Note a: On 12 March 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, Series A 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 9 May 2008.

On 28 November 2014, the Series A Preferred Shares were converted into the Company’s ordinary shares at par value of US\$0.001 each. Immediately before the conversion, the fair value of the Series A Preferred Shares was approximately RMB476,795,000, which was measured by the Company with reference to the closing price on the conversion date of HK\$2.89 per share as adjusted by an estimated discount rate for the restriction of trading given the converted ordinary shares are prohibited for sale for six months after the listing date.

Note b: On 27 November 2015, the Company decided to eliminating all the accumulated losses of the Company by reducing an amount of RMB340,853,000 standing to the credit of the share premium account of the Company as at 31 August 2015 and applying the credit arising from such reduction to set off all the accumulated losses of the Company. The decision was approved by the board of directors on 27 November 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

35. 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		Principal activities
			As at 31 August 2016	2015	
Maple BVI	28 April 1992 BVI	USD500,000	100%	100%	Investment holding
Dalian High School 大連楓葉國際學校	15 April 1996 The PRC	USD5,000,000	100%	100%	High school education
Tech Global Investment Limited ("HK Tech")	7 June 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	10 March 2008 The PRC	USD53,400,000	100%	100%	Technical support
Maple Leaf Asia Pacific Limited ("Maple Asia")	10 February 2009 Hong Kong	HK\$10,000,000	100%	100%	Investment holding
Dalian Maple Leaf International School (Middle School and Elementary School) 大連楓葉國際學校(民辦初中、小學)	3 September 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	9 January 2003 The PRC	RMB8,500,000	100%	100%	Investment holding
Dalian Educational Group 大連楓葉教育集團有限公司	23 May 2003 The PRC	RMB140,000,000	100%	100%	Investment holding
Dalian Foreign School 大連楓葉外籍人員子女學校(Note ii)	31 August 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	22 September 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	14 December 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)	9 December 2006 The PRC	nil	100%	100%	Education-related services
Dalian Maple Leaf Fengqiao Preschool 大連楓葉楓橋園幼兒園	31 August 2006 The PRC	RMB200,000	100%	100%	Preschool education
Dalian Maple Leaf Lanxi Wenyuan Preschool 大連楓葉蘭溪文苑幼兒園	1 June 2007 The PRC	RMB200,000	100%	100%	Preschool education
Wuhan Maple Leaf International School 武漢楓葉國際學校	26 June 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	24 March 2008 The PRC	RMB500,000	100%	100%	Preschool education

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2016

35. 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		Principal activities
			As at 31 August 2016	2015	
Dalian Maple Leaf Jiabao Preschool 大連楓葉佳寶幼兒園	24 April 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	1 September 2008 The PRC	RMB8,000,000	100%	100%	High, middle and elementary school education
Dalian Maple Leaf Jinhai Preschool 大連楓葉金海幼兒園	1 April 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	10 April 2009 The PRC	RMB200,000	100%	100%	Preschool education
Chongqing Maple Leaf International School 重慶楓葉國際學校	25 June 2009 The PRC	RMB43,500,000	100%	100%	High, middle, elementary school and preschool education
Dalian Maple Leaf Kaifagu Preschool 大連開發區楓葉幼兒園	10 December 2009 The PRC	RMB200,000	100%	100%	Preschool education
Wuhan Maple Leaf School 武漢楓葉學校	24 June 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	3 December 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	10 June 2011 The PRC	RMB500,000	100%	100%	Preschool education
Zhenjiang Maple Leaf International School 鎮江楓葉國際學校	21 June 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	26 April 2012 The PRC	RMB2,010,000	100%	100%	High, middle and elementary school education
Inner Mongolia Erdos Maple Leaf International School 內蒙古鄂爾多斯楓葉國際學校	26 April 2012 The PRC	RMB30,000	100%	100%	Middle and elementary school education
Mapleleaf International Academy (Korea)	27 April 2012 The Republic of Korea	Korea won 1,500,000,000	100%	100%	Education related services
Inner Mongolia Erdos Maple Leaf The First Preschool 楓葉第一幼兒園	17 May 2012 The PRC	RMB30,000	100%	100%	Preschool education
Shanghai Maple Leaf International School 上海楓葉國際學校	20 March 2013 The PRC	RMB5,000,000	100%	100%	High and middle school education

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For the year ended 31 August 2016

35. 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		Principal activities
			As at 31 August 2016	2015	
Pingdingshan Maple Leaf International School 平頂山楓葉國際學校	20 January 2014 The PRC	RMB1,000,000	100%	100%	Middle and elementary school education
Tianjin Huayuan Maple Leaf International School 天津華苑楓葉國際學校	11 September 2014 The PRC	RMB4,000,000	100%	100%	Middle and elementary school education
Pingdingshan Maple Leaf International School affiliated preschool 平頂山楓葉國際學校附屬幼兒園	3 November 2014 The PRC	RMB100,000	100%	100%	Preschool education
Zhejiang Yiwu Maple Leaf International School 浙江義烏楓葉國際學校	30 March 2015 The PRC	RMB500,000	100%	100%	High school education
Yiwu Maple Leaf International School affiliated School 義烏楓葉國際學校附屬學校	6 November 2014 The PRC	RMB500,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf International Travel Agency Co Ltd. 大連楓葉國際旅行社有限公司	27 March 2015 The PRC	RMB3,000,000	100%	100%	Vacation cultural exchange and overseas study services
Dalian Maple Leaf Stationery Co., Ltd. 大連楓葉文化用品有限公司	27 March 2015 The PRC	RMB500,000	100%	100%	Stationery sales related services
Dalian Maple Leaf Red Supermarket Co., Ltd. 大連楓葉紅超市有限公司	29 April 2015 The PRC	RMB2,000,000	100%	100%	Retail business
Jingzhou Maple Leaf International School 荊州楓葉國際學校	15 July 1998 The PRC	RMB30,000,000	100%	100%	High, middle and elementary school education
Dalian Maple Leaf Catering Co., Ltd. 大連楓葉餐飲服務有限公司	26 May 2015 The PRC	RMB1,000,000	100%	100%	Catering services
Zhejiang Yiwu Maple Leaf International School affiliated preschool 浙江義烏楓葉國際學校附屬幼兒園	29 May 2015 The PRC	RMB500,000	100%	100%	Preschool education
Dalian Maple Leaf Science and Education Industrial Group Co., Ltd 大連楓葉科教產業集團有限公司	28 July 2015 The PRC	RMB50,000,000	100%	100%	Education related services
Dalian Maple Leaf Spring Water Co., Ltd. 大連楓葉泉飲料有限公司	4 August 2015 The PRC	RMB500,000	100%	100%	Water sales related services
Dalian Maple Leaf Red Clothing Co., Ltd. 大連楓葉紅服裝有限公司	26 August 2015 The PRC	RMB100,000	100%	100%	Clothing related services

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35. 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		Principal activities
			As at 31 August 2016	2015	
Pinghu Maple Leaf International School 平湖楓葉國際學校(Note iii)	2 September 2015 The PRC	RMB2,000,000	100%	N/A	Middle and elementary school education
Tianjin Maple Leaf Zhonghua Taida Preschool 天津經濟技術開發區楓葉幼稚園(Note iii)	6 April 2016 The PRC	RMB1,500,000	100%	N/A	Preschool education
Maple Leaf Education North America Holdings Limited ("Maple NA") (Note iii).	26 January 2016 BVI	USD50,000	100%	N/A	Investment holding
Maple Leaf Education North America Limited (Note iii)	4 February 2016 Canada	nil	100%	N/A	Education related services
Huaian Enlai Maple Leaf International School 淮安恩來楓葉國際學校(Note iii)	18 March 2016 The PRC	RMB2,000,000	100%	N/A	Middle and elementary school education
Dalian Maple Leaf Red Construction Project Co., Ltd. 大連楓葉紅建設工程有限公司(Note iii)	19 March 2016 The PRC	RMB50,000,000	100%	N/A	Construction services
Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd. 大連楓葉夢建築設計院有限公司(Note iii)	19 March 2016 The PRC	RMB8,000,000	100%	N/A	Construction services
Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd.. 大連北鵬工程監理有限公司(Note iii)	24 March 2016 The PRC	RMB1,000,000	100%	N/A	Construction services
Xian Maple Leaf International School• 西鹹新區空港楓葉國際學校(Note iii)	7 April 2016 The PRC	RMB2,000,000	100%	N/A	High, middle and elementary school education
Dalian Maple Leaf Red Project Management Co., Ltd. 大連楓葉紅工程項目管理有限公司(Note iii)	30 June 2016 The PRC	RMB20,000,000	100%	N/A	Construction services
Yiwu Maple Leaf Foreign National school 義烏楓葉外籍人員子女學校(Note ii and iii)	1 May 2016 The PRC	RMB500,000	100%	N/A	Education related services
Maple Leaf Education Singapore Holdings Limited (Note iii)	9 August 2016 BVI	USD50,000	100%	N/A	Investment holding

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35. 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 are nil as there is no capital requirement for foreign schools under the PRC laws and regulations.*
- (iii) *These subsidiaries were established by the Group during the year ended 31 August 2016.*
- (iv) *Except for HK Tech, Maple Asia, Maple BVI and Maple NA 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, Beipeng Software, Dalian Maple Leaf International Travel Agency Co Ltd., Dalian Maple Leaf Stationery Co., Ltd., Dalian Maple Leaf Red Supermarket Co., Ltd., Dalian Maple Leaf Catering Co., Ltd., Dalian Maple Leaf Science and Education Industrial Group. Co., Ltd, Dalian Maple Leaf Spring Water Co., Ltd., Dalian Maple Leaf Red Clothing Co., Ltd., Dalian Maple Leaf Red Project Management Co., Ltd., Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd., Dalian Maple Leaf Red Construction Project Co., Ltd. and Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd. 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, Dalian Science and Education, Dalian Maple Leaf International Travel Agency Co Ltd., Dalian Maple Leaf Stationery Co., Ltd., Dalian Maple Leaf Red Supermarket Co., Ltd., Dalian Maple Leaf Catering Co., Ltd., Dalian Maple Leaf Science and Education Industrial Group. Co., Ltd, Dalian Maple Leaf Spring Water Co., Ltd., Dalian Maple Leaf Red Clothing Co., Ltd., Dalian Maple Leaf Red Project Management Co., Ltd., Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd., Dalian Maple Leaf Red Construction Project Co., Ltd. and Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd. were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools, 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.*