

# 2016 Interim Report



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1317



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Mr. Howard Robert Balloch

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

## COMPANY SECRETARY

Mr. Chi Hung Lau, ACIS, ACS

## AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang  
Mr. Chi Hung Lau

## AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## 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

## CORPORATE INFORMATION

### REGISTERED OFFICE

Maples Corporate Services Limited  
P.O. Box 309, Uglund 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](http://www.mapleleaf.cn)

### INVESTOR RELATIONS

Mr. Derek Lau (or Mr. Chi Hung Lau)  
Head of Investor Relations  
Email: [ir@mapleleaf.net.cn](mailto:ir@mapleleaf.net.cn)  
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8 Fleming Road, Wanchai, Hong Kong

# CORPORATE PROFILE

China Maple Leaf Educational Systems Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is a leading international school operator, 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 twenty years of educational experience in China, the Group is now providing a high quality K-12 education by combining the merits of both Western and Chinese philosophies in eleven cities in China, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Yiwu and Jingzhou.

As at 31 March 2016, the Group had 19,353 students, approximately 1,800 teachers and 46 schools comprising 8 high schools (for students in grade 10 to 12), 12 middle schools (for students in grade 7 to 9), 11 elementary schools (for students in grade 1 to 6), 13 preschools and 2 foreign national schools in China. About 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. According to our statistics, over 90% of our high school graduates of the 2014/2015 school year were admitted to overseas universities and colleges and over 51% were admitted to top 100 universities in the world based on QS World University Rankings.

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Six months ended		Change RMB'000	Percentage Change
	29 February 2016 RMB'000 (unaudited)	28 February 2015 RMB'000 (unaudited)		
Revenue	<b>380,250</b>	300,022	<b>+80,228</b>	<b>+26.7%</b>
Gross profit	<b>179,060</b>	123,544	<b>+55,516</b>	<b>+44.9%</b>
Profit for the period	<b>124,988</b>	56,382	<b>+68,606</b>	<b>+121.7%</b>
Adjusted net profit (Note)	<b>116,980</b>	68,917	<b>+48,063</b>	<b>+69.7%</b>
Gross profit margin	<b>47.1%</b>	41.2%	<b>+5.9pp</b>	<b>+14.3%</b>
Adjusted net profit margin	<b>30.8%</b>	23.0%	<b>+7.8pp</b>	<b>+33.9%</b>
Earnings per share				
Basic (RMB)	<b>0.09</b>	0.05	<b>+0.04</b>	<b>+80.0%</b>
Diluted (RMB)	<b>0.09</b>	0.05	<b>+0.04</b>	<b>+80.0%</b>
Interim dividend per share (HK\$)	<b>0.042</b>	0.025	<b>+0.017</b>	<b>+68.0%</b>

*Note:*

Adjusted net profit was derived from the profit for the period after adjusting for those non-recurring items which are not indicative of the Group's operating performances, including (i) a change in fair value on redeemable convertible preferred shares issued to the then pre-IPO investors, (ii) expenses relating to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, (iii) share-based payments, and (iv) government grant. The comparative figure for the six months ended 28 February 2015 was restated after adjusting for share-based payments for consistent presentation.

	As at the end of		Change	Percentage Change
	29 February 2016	28 February 2015		
Total number of students enrolled	<b>17,980</b>	15,140	<b>+2,840</b>	<b>+18.8%</b>
Total capacity	<b>30,040</b>	26,090	<b>+3,950</b>	<b>+15.1%</b>
Overall utilization	<b>59.9%</b>	58.0%	<b>+1.9pp</b>	<b>+3.3%</b>

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**TO THE BOARD OF DIRECTORS OF  
CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED**  
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Maple Leaf Educational Systems Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 7 to 22, which comprise the condensed consolidated statement of financial position as of 29 February 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

27 April 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 29 February 2016

	NOTES	Six months ended 29 February 2016 RMB'000 (unaudited)	Six months ended 28 February 2015 RMB'000 (unaudited)
Revenue	3	<b>380,250</b>	300,022
Cost of revenue		<b>(201,190)</b>	(176,478)
Gross profit		<b>179,060</b>	123,544
Investment and other income	4	<b>22,311</b>	6,946
Other gains and losses		<b>(4,829)</b>	1,151
Marketing expenses		<b>(10,032)</b>	(9,314)
Administrative expenses		<b>(53,828)</b>	(49,605)
Finance costs		–	(4,089)
Other expenses		<b>(698)</b>	(7,295)
Change in fair value on redeemable convertible preferred shares		–	(277)
Profit before taxation		<b>131,984</b>	61,061
Taxation	5	<b>(6,996)</b>	(4,679)
Profit for the period	6	<b>124,988</b>	56,382
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments		<b>6,787</b>	(150)
Reclassification adjustment for the accumulative gain included in profit or loss upon disposal of available-for-sale investments		–	(478)
Exchange difference arising on the translation of foreign operation		<b>(198)</b>	(530)
Other comprehensive income (expense) for the period		<b>6,589</b>	(1,158)
Total comprehensive income for the period		<b>131,577</b>	55,224
<b>EARNINGS PER SHARE</b>			
Basic (RMB)	8	<b>0.09</b>	0.05
Diluted (RMB)	8	<b>0.09</b>	0.05



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 29 February 2016

	NOTES	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	9	1,424,918	1,397,751
Prepaid lease payments		168,277	170,454
Investment properties		16,568	16,996
Goodwill		12,399	12,399
Intangible assets		581	700
Available-for-sale investments		64,921	58,134
Books for lease		4,241	2,893
Deposits for construction of property and land use right		–	1,037
		<b>1,691,905</b>	1,660,364
<b>Current Assets</b>			
Inventories		2,098	1,395
Available-for-sale investments		–	100,000
Deposit, prepayments and other receivables		27,706	32,103
Bank balances and cash		796,013	1,022,141
		<b>825,817</b>	1,155,639
<b>Current Liabilities</b>			
Deferred revenue	10	369,549	660,138
Other payables and accrued expenses	11	227,941	295,116
Income tax payable		33,110	26,867
		<b>630,600</b>	982,121
<b>Net Current Assets</b>		<b>195,217</b>	173,518
<b>Total Assets Less Current Liabilities</b>		<b>1,887,122</b>	1,833,882
<b>Capital And Reserves</b>			
Share capital	12	8,411	8,411
Reserves		1,857,382	1,803,883
		<b>1,865,793</b>	1,812,294
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		21,329	21,588
		<b>21,329</b>	21,588
		<b>1,887,122</b>	1,833,882

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 29 February 2016

	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Share option reserve RMB'000	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000
At 1 September 2014	511	24,940	-	628	686	173,015	12,585	254,869	467,234
Other comprehensive expense for the period	-	-	-	(628)	(530)	-	-	-	(1,158)
Profit for the period	-	-	-	-	-	-	-	56,382	56,382
Total comprehensive income for the period	-	-	-	(628)	(530)	-	-	56,382	55,224
Share-based payments	-	-	-	-	-	-	5,706	-	5,706
Conversion of redeemable convertible preferred shares	131	476,664	-	-	-	-	-	-	476,795
The effect of capitalisation issue	5,562	(5,562)	-	-	-	-	-	-	-
Issuance of ordinary shares	2,049	759,080	-	-	-	-	-	-	761,129
Expenses incurred in connection with the issuance of ordinary shares	-	(34,619)	-	-	-	-	-	-	(34,619)
At 28 February 2015 (unaudited)	<b>8,253</b>	<b>1,220,503</b>	-	-	<b>156</b>	<b>173,015</b>	<b>18,291</b>	<b>311,251</b>	<b>1,731,469</b>
At 1 September 2015	<b>8,411</b>	<b>1,234,655</b>	<b>(58,982)</b>	<b>(6,117)</b>	<b>(286)</b>	<b>179,036</b>	<b>1,183</b>	<b>454,394</b>	<b>1,812,294</b>
Other comprehensive income (expense) for the period	-	-	-	<b>6,787</b>	<b>(198)</b>	-	-	-	<b>6,589</b>
Profit for the period	-	-	-	-	-	-	-	<b>124,988</b>	<b>124,988</b>
Total comprehensive income (expense) for the period	-	-	-	<b>6,787</b>	<b>(198)</b>	-	-	<b>124,988</b>	<b>131,577</b>
Share-based payments	-	-	-	-	-	-	<b>24</b>	-	<b>24</b>
Dividends recognised as distribution (Note 7)	-	<b>(79,915)</b>	-	-	-	-	-	-	<b>(79,915)</b>
Dividends distributed to the restricted share award scheme	-	<b>1,813</b>	-	-	-	-	-	-	<b>1,813</b>
At 29 February 2016 (unaudited)	<b>8,411</b>	<b>1,156,553</b>	<b>(58,982)</b>	<b>670</b>	<b>(484)</b>	<b>179,036</b>	<b>1,207</b>	<b>579,382</b>	<b>1,865,793</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 29 February 2016

*Note a: Shares held for the restricted share award scheme (the “Share Award Scheme”) represented the total amount of funds paid by the Company to the trustee (the “Trustee”) appointed for the Share Award Scheme of the Company to make on-market purchases of the shares of the Company to be held by the Trustee.*

*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.*

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 29 February 2016

	<b>Six months ended 29 February 2016 RMB'000 (unaudited)</b>	Six months ended 28 February 2015 RMB'000 (unaudited)
Net cash used in operating activities	<b>(180,994)</b>	(160,449)
Net cash generated from investing activities		
Proceeds from disposal of available-for-sale investments	<b>100,701</b>	162,222
Proceeds from disposal of property, plant and equipment	<b>10,171</b>	21
Dividends received from available-for-sale investments	<b>2,240</b>	50
Deposit received in respect of disposal of properties	–	20,000
Withdrawal of restricted bank deposits	–	4,000
Payments for property, plant and equipment	<b>(76,303)</b>	(95,006)
Net cash outflow from acquisition of a subsidiary	<b>(4,240)</b>	–
Purchase of books for lease	<b>(2,600)</b>	(2,043)
	<b>29,969</b>	89,244
Net cash (used in) generated from financing activities		
Dividends paid	<b>(78,102)</b>	–
Proceeds from issue of ordinary shares	–	761,129
Repayments of bank borrowings	–	(223,500)
Expense on issue of ordinary shares	–	(29,402)
Interest paid	–	(4,089)
Repayment of amounts due to related parties	–	(3,544)
	<b>(78,102)</b>	500,594
Net increase in cash and cash equivalents	<b>(229,127)</b>	429,389
Cash and cash equivalents at beginning of the period	<b>1,022,141</b>	380,332
Effect of foreign exchange rate changes	<b>2,999</b>	(192)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>796,013</b>	809,529

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 29 February 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 August 2015.

No amendments to international financial reporting standards and new interpretation are mandatorily effective for the current interim period.

## 3. 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 and sales related tax.

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

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

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

	<b>Six months ended 29 February 2016 RMB’000 (unaudited)</b>	Six months ended 28 February 2015 RMB’000 (unaudited)
Tuition and boarding fees	<b>337,938</b>	266,760
Others	<b>42,312</b>	33,262
	<b>380,250</b>	300,022

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 4. INVESTMENT AND OTHER INCOME

	<b>Six months ended 29 February 2016 RMB'000 (unaudited)</b>	Six months ended 28 February 2015 RMB'000 (unaudited)
Banks interest income	9,918	4,262
Dividends income from available-for-sale investments	2,240	50
Rental income from investment properties	1,418	1,563
Interest income from short term investment	701	631
Government grant	8,032	–
Others	2	440
	<b>22,311</b>	<b>6,946</b>

### 5. TAXATION

	<b>Six months ended 29 February 2016 RMB'000 (unaudited)</b>	Six months ended 28 February 2015 RMB'000 (unaudited)
The charge comprises		
Current tax:		
PRC Enterprise Income Tax (“PRC EIT”)	7,255	2,326
Deferred tax:		
Current year	(259)	2,353
	<b>6,996</b>	<b>4,679</b>

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

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

All subsidiaries of the Company established in the PRC are subject to the applicable PRC EIT for both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 5. TAXATION (Continued)

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 preferential tax treatment as public schools. Dalian Maple Leaf International 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 and Tianjin Huayuan Maple Leaf International School have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities.

### 6. PROFIT FOR THE PERIOD

	Six months ended 29 February 2016 RMB'000 (unaudited)	Six months ended 28 February 2015 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note)		
– salaries and other allowances	158,121	136,091
– retirement benefit scheme contributions	6,202	5,612
– share-based payments	24	5,706
Total staff costs	164,347	147,409
Gross rental income from investment properties	(1,418)	(1,563)
Less:		
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the period (included in other expenses)	684	587
	(734)	(976)
Depreciation of property, plant and equipment	20,057	18,012
Depreciation of investment properties	428	428
Release of prepaid lease payments	2,196	2,317
Amortisation of books for lease	1,252	1,411
Listing-related expenses (included in other expenses)	–	6,552

Note: The staff costs of approximately RMB122,862,000, RMB2,661,000 and RMB38,824,000 (for the six months ended 28 February 2015: RMB110,082,000, RMB1,858,000 and RMB35,469,000) are included in the cost of revenue, marketing expenses and administrative expenses, respectively, for the current interim period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 7. DIVIDENDS

During the current interim period, a final dividend of HK\$0.043 per share and a special dividend of HK\$0.027 per share were paid to shareholders. Subsequent to 29 February 2016, the board of directors of the Company (the “**Board**”) have determined that an interim dividend of HK\$0.042 per share (2015: HK\$0.025) will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 18 May 2016.

### 8. EARNINGS PER SHARE

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

	<b>Six months ended 29 February 2016 RMB'000 (unaudited)</b>	Six months ended 28 February 2015 RMB'000 (unaudited)
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<b>124,988</b>	56,382
Change in fair value on redeemable convertible preferred shares	–	277
Earnings for the purpose of diluted earnings per share	<b>124,988</b>	56,659
	<b>Six months ended 29 February 2016 '000 (unaudited)</b>	Six months ended 28 February 2015 '000 (unaudited)
<b>Weighted average number of shares:</b>		
Number of ordinary shares for the purpose of basic earnings per share	<b>1,328,600</b>	1,060,220
Effect of dilutive potential ordinary shares:		
Redeemable convertible preferred shares	–	111,394
Share options	<b>779</b>	14,030
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,329,379</b>	1,185,644

The number of shares adopted in the calculation of the basic earnings per share for the six months ended 29 February 2016 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain equipment with an aggregate carrying amount of approximately RMB7,995,000 (for the six months ended 28 February 2015: RMB35,000) for cash proceeds of approximately RMB10,171,000 (for the six months ended 28 February 2015: RMB21,000), resulting in a loss on disposal of approximately RMB7,824,000 (for the six months ended 28 February 2015: RMB14,000) and a reduction of RMB10,000,000 on receivable in respect of disposal of properties.

In addition, the Group spent approximately RMB56,384,000 (for the six months ended 28 February 2015: RMB74,039,000) on addition of property, plant and equipment.

### 10. DEFERRED REVENUE

	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
Tuition and boarding fees	344,956	621,175
Others	24,593	38,963
	<b>369,549</b>	<b>660,138</b>

### 11. OTHER PAYABLES AND ACCRUED EXPENSES

	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
Other tax payables	12,362	15,907
Payables for purchase of property, plant and equipment	61,599	81,518
Payables for purchase of goods	1,325	748
Consideration payable for business combination	5,300	9,540
Miscellaneous expenses received from students (Note)	94,705	132,150
Deposits received from students	19,522	19,369
Accrued payroll	8,270	10,635
Prepayment from lessee	119	80
Accrued operating expenses	1,570	1,754
Payable for land use right	3,000	3,000
Other payables	20,169	20,415
	<b>227,941</b>	<b>295,116</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 12. 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	<b>21,000</b>	<b>21</b>	<b>129</b>
Increase	<b>3,800,000</b>	<b>3,800</b>	<b>23,311</b>
At 28 February 2015, 31 August 2015 and 29 February 2016	<b>4,000,000</b>	<b>4,000</b>	<b>24,711</b>
Issued and fully paid			
At 1 September 2014	72,000	72	511
Capitalisation issue	906,601	907	5,562
Conversion of redeemable convertible preferred shares	21,399	21	131
Issuance of ordinary shares upon listing	334,000	334	2,049
At 28 February 2015	<b>1,334,000</b>	<b>1,334</b>	<b>8,253</b>
Issue of shares on exercise of share options	<b>25,680</b>	<b>26</b>	<b>158</b>
At 31 August 2015 and 29 February 2016	<b>1,359,680</b>	<b>1,360</b>	<b>8,411</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 13. SHARE-BASED PAYMENTS

#### 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.

The following table discloses movements of the Company's share options held by the Group's employees during the six months ended 29 February 2016:

	Date of grant	Outstanding at 1 September 2015 '000	Granted during the period '000	Forfeited during the period '000	Outstanding at 29 February 2016 '000
<b>Employees</b>					
In aggregate	16 Feb 2016	–	600	–	600
Exercisable at the end of the period					–

Details of specific category of options are as follows:

Tranche	Date of grant	Date of expiration	Number of share options granted	Vesting date	Exercisable period	Exercise price HK\$	Fair value at grant date HK\$
1st	16 Feb 2016	15 Feb 2026	200,000	1 Mar 2017	1 Mar 2017- 15 Feb 2026	4.40	2.27
2nd	16 Feb 2016	15 Feb 2026	200,000	1 Mar 2018	1 Mar 2018- 15 Feb 2026	4.40	2.37
3rd	16 Feb 2016	15 Feb 2026	200,000	1 Mar 2019	1 Mar 2019- 15 Feb 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 13. SHARE-BASED PAYMENTS (Continued)

#### Post-IPO Share Option Scheme (Continued)

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

	Option types		
	1st	2nd	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

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.

#### Share Award Scheme

The Company's restricted share units scheme was adopted pursuant to a resolution passed on 10 November 2014 and was subsequently modified by the Board on 28 April 2015 and renamed as the Share Award Scheme with a primary purpose of providing incentives to directors, employees and consultants of the Group (the "**Selected Participants**"). The Share Award Scheme became effective on 28 April 2015. Under the Share Award Scheme, the Board may grant shares to the Selected Participants.

The Company appointed 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.

No restricted shares have been granted under the Share Award Scheme during the current interim period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 13. SHARE-BASED PAYMENTS (Continued)

#### Share Award Scheme (Continued)

##### 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 may grant options to eligible directors, employees and consultants to subscribe for shares in the Company, up to a total of 32,120,144 shares.

The outstanding share options under the Pre-IPO Share Option Scheme were 1,247,387 as at 29 February 2016 and 31 August 2015 and 26,927,387 as at 28 February 2015 respectively. No share options have been granted, exercised or cancelled during the current interim period.

### 14. CAPITAL COMMITMENTS

	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	<b>40,682</b>	5,776

There were no capital commitments for which were authorised but not contracted for as at 29 February 2016 and 31 August 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 15. OPERATING LEASES COMMITMENTS

#### The Group as lessee

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

	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
Within one year	3,488	3,663
In the second to fifth year inclusive	5,919	7,116
Over five years	2,120	2,608
	<b>11,527</b>	<b>13,387</b>

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

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

	At 29 February 2016 RMB'000 (unaudited)	At 31 August 2015 RMB'000 (audited)
Within one year	1,146	1,673
In the second to fifth year inclusive	920	-
	<b>2,066</b>	<b>1,673</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 29 February 2016

### 16. RELATED PARTY DISCLOSURES

#### Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	<b>Six months ended 29 February 2016 RMB'000 (unaudited)</b>	Six months ended 28 February 2015 RMB'000 (unaudited)
Salaries and other allowances	<b>5,346</b>	3,730
Retirement benefits scheme contributions	<b>7</b>	7
Share-based payments	<b>12</b>	3,402
	<b>5,365</b>	7,139

### 17. SUBSEQUENT EVENTS

- 1) Subsequent to 29 February 2016, the Company granted share awards of a total of 6,430,000 shares of the Company held by the Trustee under the Share Award Scheme to certain eligible employees of the Group.
- 2) Subsequent to 29 February 2016, the Group disposed of its entire equity interest in a company engaged in education industry, whose shares are listed on the stock exchange of Australia. The Group expects that the disposal of these available-for-sale investments will result in a gain for the financial year ending 31 August 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

With over twenty years of education experience, China Maple Leaf Educational Systems Limited (the “Company”, together with its subsidiaries, collectively the “Group”) is committed to provide quality bilingual preschool to grade 12 (“K-12”) educational services in China by combining the merits of both Western and Chinese educational philosophies. Our high schools (for students from grade 10 to 12) are certified by the Ministry of Education of British Columbia (“BC”), Canada and China government, allowing our graduates to receive both a fully accredited BC diploma and a China diploma. We targets students from middle class families who aim to pursue higher education abroad and our tuition fees are affordable and competitive.

### Our Schools

At the commencement of the 2015/2016 school year, 6 new schools were added in our school network. In September 2015, the Group opened a high school, a middle school (for students from grade 7 to 9) and an elementary school (for students from grade 1 to 6) in Yiwu, Zhejiang Province, a middle school and an elementary school in Jingzhou, Hubei Province and a preschool in Chongqing.

As at 29 February 2016, the Group had 46 schools located in 11 cities 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 periods:

	<b>At 29 February 2016</b>	At 28 February 2015
High schools	<b>8</b>	7
Middle schools	<b>12</b>	10
Elementary schools	<b>11</b>	9
Preschools	<b>13</b>	12
Foreign national schools	<b>2</b>	2
Total	<b>46</b>	40



## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

	For the six months ended			
	29 February 2016 RMB'000	% of Total	28 February 2015 RMB'000	% of Total
Tuition fees				
– High school	191,034	50.2	156,620	52.2
– Middle school	58,797	15.5	47,136	15.7
– Elementary school	67,244	17.7	43,479	14.5
– Preschool	12,327	3.2	11,308	3.8
– Foreign national school	8,536	2.2	8,217	2.7
	<b>337,938</b>	<b>88.8</b>	266,760	88.9
Textbooks	19,856	5.2	16,194	5.4
Summer and winter camps	15,597	4.1	15,540	5.2
Other educational services	584	0.2	1,528	0.5
Others	6,275	1.7	–	–
<b>Total</b>	<b>380,250</b>	<b>100</b>	300,022	100

For the six months ended 29 February 2016, tuition fees remained the major revenue contributor accounting for over 88% of the total revenue. 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 received in advance are recognized as revenue proportionately over the relevant school year. For the six months ended 29 February 2016, tuition fees increased by RMB71.2 million, or 26.7%, due to an increase in the overall student enrolment to a large extent and an increase in tuition fee rates of certain schools with effect from September 2015 to a lesser extent.

The proportion of high school tuition fees decreased from 52.2% for the six months ended 28 February 2015 to 50.2% for the six months ended 29 February 2016 while the proportion of the total of middle and elementary school tuition fees increased from 30.2% for the six months ended 28 February 2015 to 33.2% for the six months ended 29 February 2016. This change was mainly attributable to the reason that 2 elementary schools and 2 middle schools were opened in September 2015 and the number of elementary and middle school students at Tianjin (Huayuan) campus grew significantly. Accordingly, the proportion of high school students decreased whereas the proportion of the total of elementary and middle school students increased during the six months ended 29 February 2016.

Revenue from others comprises mainly revenue from self-operated supermarkets in our school campuses. We started our own operations of supermarkets from the second semester of the 2014/2015 school year and, accordingly, the revenue from others increased for the six months ended 29 February 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Student Enrollment

	At 29 February 2016	At 28 February 2015	Change	Change Percentage
Total number of students enrolled	17,980	15,140	+2,840	+18.8%

Total number of students increased due to the increase in overall student enrollment of the schools in Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai and Pingdingshan and the opening of schools in two additional cities in China, namely Jingzhou and Yiwu, with effect from September 2015. In particular, the schools in Wuhan, Tianjin (Huayuan), Zhenjiang, Shanghai and Luoyang continued to record a remarkable growth in student enrolment for the six months ended 29 February 2016. Furthermore, the student enrollment of the new schools in Yiwu well exceeded our target.

### Average Tuition Fee per Student

	For the six months ended	
	29 February 2016	28 February 2015
Tuition fees (RMB'000)	337,938	266,760
Average student enrollment*	17,029	14,327
Average tuition fee per student# (RMB'000)	19.8	18.6

\* Average student enrollment is calculated as the average of the total number of students enrolled at the end of six months period and the total number of students enrolled at the end of the previous school year.

# Average tuition fee per student is calculated by dividing tuition fees for the six months period over average student enrollment.

Average tuition fee per student increased by approximately 6.6% primarily because the Group raised the tuition fee rates of certain schools located at Dalian, Wuhan, Chongqing and Zhenjiang with effect from the 2015/2016 school year and the increased tuition fee rates apply only to the new students enrolled.

## 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.

	At 29 February 2016	At 28 February 2015
Total number of students enrolled	17,980	15,140
Total capacity	30,040	26,090
Overall utilization	59.9%	58.0%

Total capacity increased due primarily to the opening of schools in Yiwu and Jingzhou in September 2015. The improvement in overall utilization rate was due largely to the ramp-up of student enrolment in certain school locations including Chongqing, Zhenjiang, Shanghai and Luoyang.

As at 31 March 2016, the total student number of the Group increased to 19,353 due primarily to the addition of new students enrolled in the second semester of the 2015/2016 school year and accordingly, the overall utilization increased to approximately 64.4% subsequently.

### Our Teachers

	At 29 February 2016	At 28 February 2015
Total number of teachers	1,762	1,481

Our student-teacher ratio remained relatively stable at both period ends, which was below 11:1. The total number of teachers increased mainly because more PRC-certified teachers were recruited primarily for the opening of 2 elementary schools and 2 middle schools at the commencement of 2015/2016 school year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OUTLOOK

#### Student Enrollment

As at 31 March 2016, our total student number was 19,353, which already exceeded our student enrollment target for the 2015/2016 school year as laid down under the Group's fifth five-year plan. Approximately 40% of our current students are high school students.

The Group believes that if the student enrollment from elementary to high school levels is in a pyramid structure, this will reduce the reliance on recruiting high school students from other private and public schools in the long run. In order to achieve this purpose, the Group will open more elementary and middle schools in second and third tier cities in China as feeders for its existing school campuses which have high schools and are large enough to serve as district schools. Therefore, the Group expects that the percentage of total number of middle and elementary school students will continue to grow.

#### New School Openings in China in the 2016/2017 School Year

The Group has a strong pipeline for opening new schools in China in the 2016/2017 school year. In particular, the Group will open 7 new schools (3 middle schools, 3 elementary schools and 1 preschool) in 3 additional cities in China, namely Pinghu in Zhejiang Province, Xi'an in Shanxi Province and Huai'an in Jiangsu Province. Furthermore, the Group has planned to open about 3 to 4 new schools in its existing school network in Yiwu, Tianjian and certain cities in Hubei Province.

##### 1) Maple Leaf International School – Pinghu

The new school campus in Pinghu will be located at Economic and Technical Development Zone, Pinghu, Zhejiang Province with a land area of 100 mu. The school campus is expected to have a total student capacity of approximately 2,000, where a middle school, an elementary school and a preschool will be opened in the 2016/2017 school year.

As disclosed in the Company's prospectus dated 18 November 2014, the Group has entered into a cooperation agreement with Zhejiang Pinghu Economic and Technical Development Zone Administration Committee (the "**Pinghu Committee**") to jointly develop the above schools. Under the agreement, the Pinghu Committee will construct the school premises and contribute the land use right to the campus site and the school premises. The Pinghu Committee is entitled to receive an administration fee, the calculation of which is based on the disposable profit of the schools in the prior financial year. As such, this school campus was originally intended to be developed under asset light model. However, due to the recent changes in local requirements in Pinghu, the Group has entered into a supplemental agreement with the Pinghu Committee under which, among other things, the Group agreed to bear the construction costs of the school premises, related facilities and interior decorations, whereas the Pinghu Committee agreed not to share any profit of the schools. In addition, the Pinghu Committee agreed to provide the Group with a subsidy of RMB30 million for the construction costs.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2) Maple Leaf International School – Xi’an

The new school campus in Xi’an will be located at Airport New City, Xi Xian New Area, Xi’an, Shannxi Province with a land area of 200 mu, which is developed under asset light business model. The school campus, which will be developed in two phases, is expected to have a total student capacity of approximately 3,500 to 4,000, comprising a high school, a middle school, an elementary school and a foreign national school. The Group will open a middle school and an elementary school in the 2016/2017 school year. It is expected that a high school and a foreign national school will be opened in the 2017/2018 school year.

### 3) Maple Leaf Enlai International School – Huai’an

During the six months ended 29 February 2016, the Group entered into a cooperation agreement with the local government authority under which, among other things, certain vacant school buildings located in Qinghe District, Huai’an, Jiangsu Province will be leased to the Group for opening a middle school and an elementary school in the 2016/2017 school year. The estimated total student capacity of these schools will be approximately 600.

### 4) New Schools in The Existing School Network

The Group has also planned to open a foreign national school in Yiwu and about 2 to 3 preschools in Tianjin and certain cities in Hubei Province in the 2016/2017 school year.

## Overseas Expansion

As an international school operator, the Group is actively exploring opportunities for expanding its school network to overseas countries and regions including Canada and Hong Kong. The Group believes that opening schools outside China will increase the brand awareness of “Maple Leaf” and enhance its competitiveness in China.

## Grant of Share Options and Share Awards

The board of directors of the Company (the “**Board**”) realizes the importance of retention and attraction of talents who are able to make significant contributions to the Group. Accordingly, the Company has adopted various share incentive schemes including a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”), a post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) and the restricted share award scheme (the “**Share Award Scheme**”). During the six months ended 29 February 2016, the Company granted 600,000 share options under the Post-IPO Share Option Scheme to certain eligible employees of the Group. For details, please refer to the Company’s announcement dated 16 February 2016.

Subsequent to 29 February 2016, the Board has resolved to grant share awards of a total of 6,430,000 shares of the Company held by the trustee appointed for the Share Award Scheme to certain eligible employees of the Group, including our teachers, with certain vesting conditions. The Company will continue to make use of these schemes as one of the methods to attract, retain and motivate our directors, senior management and employees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Conclusion

As at 29 February 2016, deferred revenue amounted to RMB369.5 million providing an indication of the amount that will be recognized as revenue for the second half of the year ending 31 August 2016. It is also expected that additional revenue will be recorded for the activities of summer camps, summer classes and graduation consulting services in the second half of the year ending 31 August 2016.

Our future growth relies on a sustainable growth in our student enrollment of K-12 educational services. Apart from the organic growth from our existing schools, we will continue to open more schools under asset light development by partnering with the local governments or property developers. In particular, the Group has been approached by various local government authorities and local property developers in second and third tier cities in China, such as Huzhou, Weifang, Yancheng, Dalian and Shijiazhuang, to jointly develop schools in the relevant cities. In this regard, we expect more schools will be opened under asset light business model in the school years of 2017/2018 and 2018/2019.

The Group believes that the asset light business model can help the Group to expand its school network quickly in second and third tier cities with minimal capital expenditure. Apart from asset light development, we will also consider the establishment of schools or the acquisition of schools in both China and overseas countries.

### FINANCIAL REVIEW

#### Revenue

The Group derives revenue 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 relevant to the basic necessities of our students including revenue from self-operated supermarket in our school campuses.

Total revenue of the Group increased by RMB80.2 million, or 26.7%, from RMB300.0 million for the six months ended 28 February 2015 to RMB380.2 million for the six months ended 29 February 2016. The increase was due primarily to the increase in revenue from tuition fees by RMB71.2 million and the increase in revenue from others by RMB6.3 million.

Revenue from tuition fees increased by 26.7% from RMB266.7 million for the six months ended 28 February 2015 to RMB337.9 million for the six months ended 29 February 2016, due largely to the increase in student enrollment by 18.8% and the increase in tuition fee rates of certain schools with effect from September 2015. Revenue from others increased mainly because the Group started its own operations of supermarkets from the second semester of the 2014/2015 school year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 cost of furniture at our schools and the cost of maintaining our facilities.

Cost of revenue increased by RMB24.7 million, or 14.0%, from RMB176.5 million for the six months ended 28 February 2015 to RMB201.2 million for the six months ended 29 February 2016. The increase was due largely to an increase in teaching staff costs by RMB12.8 million, an increase in depreciation and amortisation by RMB3.7 million and an increase in other costs by RMB8.6 million.

Teaching staff costs increased by 11.6% from RMB110.1 million for the six months ended 28 February 2015 to RMB122.9 million for the six months ended 29 February 2016, due primarily to the effect that the increase in the number of teachers from 1,481 as at 28 February 2015 to 1,762 as at 29 February 2016 was partially offset by a depreciation of Canadian dollars (“CAD”) for salaries of our BC-certified teachers. Depreciation and amortisation increased from RMB17.6 million for the six months ended 28 February 2015 to RMB21.3 million for the six months ended 29 February 2016, due primarily to additional depreciation charge for our schools in Yiwu and Jingzhou which were opened in September 2015. Other costs increased from RMB35.4 million for the six months ended 28 February 2015 to RMB44.0 million for the six months ended 29 February 2016, due primarily to the addition of 6 schools in our school network in September 2015.

### Gross Profit

As a result of the foregoing, gross profit increased by 44.9% from RMB123.5 million for the six months ended 28 February 2015 to RMB179.1 million for the six months ended 29 February 2016. Our gross margin increased from 41.2% for six months ended 28 February 2015 to 47.1% for the six months ended 29 February 2016 due primarily to the increased utilization of certain schools resulting from the increase in student enrolment and the depreciation of CAD for salaries of our BC-certified teachers.

### 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, dividends income from available-for-sale investments and government grant. Investment and other income increased by 221.2% from RMB6.9 million for the six months ended 28 February 2015 to RMB22.3 million for the six months ended 29 February 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 29 February 2016, bank interest income increased by RMB5.7 million and dividends income from available-for-sale investments increased by RMB2.2 million due primarily to a better utilisation of surplus cash. For the six months ended 29 February 2016, the Group also recorded a government grant of RMB8.0 million primarily from Dalian Municipal Bureau of Finance for the Company's successful Listing while there was no government grant for the six months ended 28 February 2015.

### Other Gains and Losses

Other gains and losses consist primarily of gains and losses recognized upon the disposal of property, plant and equipment and net foreign exchange gain or loss. Other gains and losses decreased from a gain of RMB1.2 million for the six months ended 28 February 2015 to a loss of RMB4.8 million for the six months ended 29 February 2016. The decrease was mainly attributable to an increase in loss on disposal of property, plant and equipment by RMB7.8 million due primarily to the demolition of certain facilities in the school campus of Tianjin (Teda).

### Marketing Expenses

Marketing expenses consist mainly of commercials, and expenses for producing, printing and distributing, advertising and promotional materials, and salaries and benefits for personnel engaged in selling and marketing activities. Marketing expenses increased by 7.7% from RMB9.3 million for the six months ended 28 February 2015 to RMB10.0 million for the six months ended 29 February 2016. Marketing expenses as a percentage of revenue decreased from 3.1% for the six months ended 28 February 2015 to 2.6% for the six months ended 29 February 2016, due primarily to a decrease in advertising and promotional expenses and student placement related expenses as a percentage of revenue.

### Administrative Expenses

Administrative expenses consist primarily of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, employee share options and certain professional expenses. Administrative expenses increased by 8.5% from RMB49.6 million for the six months ended 28 February 2015 to RMB53.8 million for the six months ended 29 February 2016. Administrative expenses as a percentage of revenue decreased from 16.5% for the six months ended 28 February 2015 to 14.2% for the six months ended 29 February 2016 due primarily to the reason that share-based payments decreased by RMB5.7 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Costs

For the six months ended 28 February 2015, finance costs represented interest expenses for our bank borrowings and banking facilities. The Group repaid all its bank loans after Listing and has not raised new bank loans since then. Accordingly, finance costs decreased by 100% from RMB4.1 million for the six months ended 28 February 2015 to zero for the six months ended 29 February 2016.

### Other Expenses

Other expenses consist primarily of outgoing expenses related to the investment properties and expenses related to Listing. Due largely to the reason that no further expense related to Listing was incurred after Listing, other expenses decreased from RMB7.3 million for the six months ended 28 February 2015 to RMB0.7 million for the six months ended 29 February 2016.

### Change in Fair Value on Redeemable Convertible Preferred Shares

The fair value loss related to redeemable convertible preferred shares (the “Preferred Shares”) issued to the then pre-IPO investors decreased from RMB0.3 million for the six months ended 28 February 2015 to zero for the six months ended 29 February 2016. As all the Preferred Shares were converted into ordinary shares upon Listing, there was no change in value on Preferred Shares for the six months ended 29 February 2016.

### Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB132.0 million for the six months ended 29 February 2016 and RMB61.1 million for the six months ended 28 February 2015. Profit before taxation as a percentage of revenue of the Group was 34.7% for the six months ended 29 February 2016, compared with 20.4% for the six months ended 28 February 2015.

### Taxation

Income tax expense of the Group increased from RMB4.7 million for the six months ended 28 February 2015 to RMB7.0 million for the six months ended 29 February 2016, due mainly to an increase in assessable profit of certain subsidiaries of the Company. The effective tax rate of the Group for the six months ended 29 February 2016 and the six months ended 28 February 2015 was 5.3% and 7.7%, respectively. The decrease in the Group’s effective tax rates was primarily due to the decrease in expenses related to Listing and share-based payments and an increase in profit for certain schools which are exempted from PRC EIT.

### Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 121.7% from RMB56.4 million for the six months ended 28 February 2015 to RMB125.0 million for the six months ended 29 February 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Adjusted Net Profit

Adjusted net profit was derived from the profit for the period 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 period to adjusted net profit for both periods:

	<b>Six months ended</b>	
	<b>29 February 2016 RMB'000 (unaudited)</b>	<b>28 February 2015 RMB'000 (unaudited)</b>
Profit for the period	<b>124,988</b>	56,382
Add:		
Change in fair value on Preferred Shares	–	277
Listing expenses	–	6,552
Share-based payments	<b>24</b>	5,706
Government grant	<b>(8,032)</b>	–
Adjusted net profit (Note)	<b>116,980</b>	68,917

Adjusted net profit for the six months ended 29 February 2016 increased by RMB48.1 million or 69.7%. Adjusted net profit margin increased from 23.0% for the six months ended 28 February 2015 to 30.8% for the six months ended 29 February 2016, due primarily to the increase in overall gross margin, the increase in bank interest income and the decrease in finance costs as mentioned above.

*Note: The comparative figure for the six months ended 28 February 2015 was restated after adjusting for share-based payments for consistent presentation.*

### Capital Expenditures

During the six months ended 29 February 2016, the Group spent RMB76.3 million for the addition of property, plant and equipment primarily related to school premises in Pinghu and Yiwu.

## 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 periods:

	Six months ended	
	29 February 2016 RMB'000 (unaudited)	28 February 2015 RMB'000 (unaudited)
Net cash used in operating activities	(180,994)	(160,449)
Net cash generated from investing activities	29,969	89,244
Net cash (used in) from financing activities	(78,102)	500,594
Net (decrease) increase in cash and cash equivalents	(229,127)	429,389
Cash and cash equivalents at beginning of the period	1,022,141	380,332
Effect of foreign exchange rate changes	2,999	(192)
Cash and cash equivalents at end of the period	796,013	809,529

As at 29 February 2016, the Group's bank balances and cash amounted to RMB796.0 million, of which the majority were denominated in RMB. Bank balances and cash decreased mainly because the Group received the majority of its tuition fees for the six months ended 29 February 2016 before 31 August 2015 whereas the Group utilised the tuition fees received in advance to finance the payment of its operating expenditure for the six months ended 29 February 2016.

As at 29 February 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

As at 29 February 2016, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity, remained at zero.

### Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in foreign currencies such as CAD, HK\$ and United States dollars ("USD"). As at 29 February 2016, certain bank balances and cash and available-for-sale investments were denominated in CAD, Australian dollars, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Contingent Liabilities

As at 29 February 2016, the Group had no material contingent liabilities.

### Pledge of Assets

As at 29 February 2016, the Group did not pledge any assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 29 February 2016, the Group had no material acquisitions and disposals of subsidiaries.

## SIGNIFICANT INVESTMENTS HELD

As at 29 February 2016, no significant investment was held by the Group.

## EMPLOYEE BENEFITS

As at 29 February 2016, the Group had 3,168 full-time employees (as at 28 February 2015: 2,736). 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 the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the 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 (including directors' remuneration) for the six months ended 29 February 2016 amounted to approximately RMB164.3 million.

## OTHER INFORMATION

### INTERIM DIVIDEND

The board of directors (the “**Directors**”, and collectively the “**Board**”) of China Maple Leaf Educational Systems Limited (the “**Company**”) has resolved to declare the payment of an interim dividend of HK\$0.042 per share for the six months ended 29 February 2016 to the shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company at the close of business on 18 May 2016 (Wednesday). The interim dividend is expected to be paid on or about 27 May 2016 (Friday).

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 29 February 2016, the register of members of the Company will be closed from 17 May 2016 (Tuesday) to 18 May 2016 (Wednesday), both days inclusive, during which period no transfer of shares (“**Shares**”) will be registered. In order to be qualified for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 16 May 2016 (Monday).

### CORPORATE GOVERNANCE

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 and its subsidiaries (collectively the “**Group**”) to safeguard the interests of Shareholders and to enhance corporate value and accountability.

During the six months ended 29 February 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 (the “**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.

Mr. Shu Liang Sherman Jen performs the dual roles of both chairman and co-chief executive officer (“**Co-CEO**”), along with the other Co-CEO, Mr. Zhenwan Liu. The Board believes that by vesting the roles of both chairman and Co-CEO in Mr. Shu Liang Sherman Jen, along with the other Co-CEO, Mr. Zhenwan Liu, the Company derives the benefit of ensuring consistent leadership within our Group, which in turn enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

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

# OTHER INFORMATION

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 29 February 2016.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 29 February 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **DIRECTORS’ AND CHIEF EXECUTIVES’ INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION**

As at 29 February 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

## OTHER INFORMATION

## 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	736,569,909 (Note 1)	–	736,569,909	54.17%
	Beneficial interest	4,410,000	2,015 (Note 2)	4,412,015	0.32%
	Interest of spouse	–	671 (Note 2)	671 (Note 3)	0.00%
Zhenwan Liu	Beneficial interest	11,605,000	1,007 (Note 2)	11,606,007	0.85%
Jingxia Zhang	Beneficial interest	2,605,000	1,007 (Note 2)	2,606,007	0.19%
James William Beeke	Beneficial interest	570,671	671 (Note 2)	571,342	0.04%
Howard Robert Balloch	Beneficial interest	–	1,070,671 (Note 2)	1,070,671	0.08%
	Interest of controlled corporation	5,001,822 (Note 4)	–	5,001,822	0.37%
Peter Humphrey Owen	Beneficial interest	–	671 (Note 2)	671	0.00%
Lap Tat Arthur Wong	Beneficial interest	150,000	–	150,000	0.01%

## OTHER INFORMATION

## 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 736,569,909 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 (the “**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 of 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 29 February 2016, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or 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.



## OTHER INFORMATION

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

As at 29 February 2016, the following persons or corporations, other than the Directors or the chief executives of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

#### 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	736,569,909	54.17%
Ms. Yan (Note 2)	Interest of spouse	740,981,924	54.50%
	Beneficial interest	671	0.00%

Notes:

- Sherman Investment is wholly-owned by Mr. Jen, and has a direct beneficial interest of 54.17% in the Company.*
- 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) 4,410,000 Shares, (ii) options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 2,015 Shares, and (iii) 736,569,909 Shares held by Sherman Investment.*

Save as disclosed above, as at 29 February 2016, no other person or corporation, other than the Directors or the chief executives of the Company, had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### 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 and, on 10 November 2014, adopted the post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) and the restricted share units scheme which was subsequently modified by the Board on 28 April 2015 and renamed as the restricted share award scheme (the “**Share Award Scheme**”).

For details of the terms of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Share Award Scheme, please refer to the section headed “Share Incentive Schemes” in the report of directors included in 2015 annual report.

## OTHER INFORMATION

**Pre-IPO Share Option Scheme**

The following table discloses movements in the outstanding options granted to all grantees under the Pre-IPO Share Option Scheme.

Name or category of participants	Date of grant	Number of share options outstanding as at 1 September 2015 and 29 February 2016	Exercise period	Exercise price per share option	Vesting period
<b>Directors</b>					
Shu Liang Sherman Jen	2 June 2014	2,015	10 years after the date of grant	RMB0.93	None
Jingxia Zhang	1 September 2008	–	10 years after the date of grant	RMB0.93	Four years from the date of grant
	2 June 2014	1,007	10 years after the date of grant	RMB0.93	None
Zhenwan Liu	2 June 2014	1,007	10 years after the date of grant	RMB0.93	None
James William Beeke	2 June 2014	671	10 years after the date of grant	RMB0.93	None
Peter Humphrey Owen	2 June 2014	671	10 years after the date of grant	RMB0.93	None
Howard Robert Balloch	2 June 2014	1,070,671	10 years after the date of grant	RMB0.93	None
<b>Sub-total</b>		<b>1,076,042</b>			
<b>Other employees</b>					
27 employees	1 September 2008	6,782	10 years after the date of grant	RMB0.93	Four years from the date of grant
11 employees	1 September 2009	161,574	10 years after the date of grant	RMB0.93	Four years from the date of grant
12 employees	2 June 2014	2,989	10 years after the date of grant	RMB0.93	None
<b>Sub-total</b>		<b>171,345</b>			
<b>Total</b>		<b>1,247,387</b>			

During the six months ended 29 February 2016, no share options were granted, exercised, cancelled or lapsed under the Pre-IPO Option Scheme.

## OTHER INFORMATION

### Post-IPO Share Option Scheme

The following table discloses movements in the outstanding options granted to all grantees under the Post-IPO Share Option Scheme.

Grantees	Date of grant	Number of share options			Outstanding as at 29 February 2016	Vesting date	Exercise price per share option	Exercise period
		Outstanding as at 1 September 2015	Granted during the period	Cancelled/ lapsed during the period				
<b>Employees in aggregate</b>								
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
<b>Total</b>		<b>-</b>	<b>600,000</b>	<b>-</b>	<b>600,000</b>			

For details of the closing price of the Shares and the fair value of the options granted, please refer to note 13 to the condensed consolidated financial statements included in this interim report.

### Share Award Scheme

During the six months ended 29 February 2016, no share awards were granted under the Share Award Scheme. As at 29 February 2016, the scheme trustee (the "Trustee") of the Share Award Scheme held 31,080,000 Shares.

Subsequent to 29 February 2016, the Company granted share awards of a total of 6,430,000 Shares held by the Trustee under the Share Award Scheme to certain eligible employees of the Group.

## OTHER INFORMATION

### QUALIFICATION REQUIREMENT

The foreign investor in a Sino-foreign joint venture school for the 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 PRC legal advisor, Tianyuan Law Firm has advised us that there have not been changes in the relevant regulatory developments and guidance relating to the Qualification Requirement and the 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)) issued by the Ministry of Commerce of China since the publication of the 2015 annual report.

For the efforts and actions undertaken by the Group to comply with the Qualification Requirement, please refer to the section headed “Qualification Requirement” in the report of directors included in 2015 annual report.

### USE OF PROCEEDS

The net proceeds from the listing of the Shares on the Stock Exchange, 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 RMB78.8 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 RMB7.2 million has been utilized towards the maintenance, renovation and upgrade of our existing schools, such as the boy’s schools on 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.

## OTHER INFORMATION

### SUBSEQUENT EVENTS

- 1) Subsequent to 29 February 2016, the Company granted share awards of a total of 6,430,000 Shares held by the Trustee under the Share Award Scheme to certain eligible employees of the Group.
- 2) Subsequent to 29 February 2016, the Group disposed of its entire equity interest in a company engaged in education industry, whose shares are listed on the stock exchange of Australia. The Group expects that the disposal of these available-for-sale investments will result in a gain for the financial year ending 31 August 2016.

### AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in accordance with the Listing Rules and 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 system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three members, namely, Mr. Lap Tat Arthur Wong, Mr. Peter Humphrey Owen and Mr. Chak Kei Jack Wong, all being independent non-executive Directors of the Company. Mr. Lap Tat Arthur Wong is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 29 February 2016 and has met with the independent auditors, Deloitte Touche Tohmatsu, who have reviewed the interim financial statements in accordance with International Standard on Review Engagement 2410. 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.

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

Hong Kong, 27 April 2016