Interim Report

2017

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

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

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shu Liang Sherman Jen *(Chairman 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

Ms. Wai Ling Chan (appointed on 23 January 2017)

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang
Ms. Wai Ling Chan (appointed on 23 January 2017)

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, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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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. Edward Slade
Head of Investor Relations
Email: 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 and consolidated affiliated entities, 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**" or "**PRC**") as measured by student enrolment.

Founded in 1995, the Group's headquarters is located at Dalian, Liaoning Province, China. With over twenty years of experience in China, the Group provides high quality K-12 education by combining the merits of both Western and Chinese educational philosophies in 15 cities in China and British Columbia, Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Yiwu, Jingzhou, Pinghu, Xi'an, Huai'an and Kamloops.

As at 31 March 2017, the Group had 22,693 students, approximately 1,999 teachers and 56 schools 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 in China and Canada. 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 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 Chinese diploma. According to our statistics, over 90% of our high school graduates of the 2015/2016 school year received offers from overseas universities and colleges, over 56% of whom received offers from top 100 universities in the world based on QS World University Rankings.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Six months ended			
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)	**Change RMB'000**	**Percentage Change**
Revenue	**483,259**	380,250	**+103,009**	**+27.1%**
Gross profit	**227,357**	179,060	**+48,297**	**+27.0%**
Profit for the period	**180,655**	124,988	**+55,667**	**+44.5%**
Adjusted net profit (Note)	**180,285**	116,980	**+63,305**	**+54.1%**
Gross profit margin	**47.0%**	47.1%	**-0.1pp**	**-0.2%**
Adjusted net profit margin	**37.3%**	30.8%	**+6.5pp**	**+21.1%**
Earnings per share				
Basic (RMB cents)	**13.55**	9.41	**+4.14**	**+44.0%**
Diluted (RMB cents)	**13.52**	9.40	**+4.12**	**+43.8%**
Interim dividend per share (HK$ cents)	**6.00**	4.20	**+1.80**	**+42.9%**

Note:
Adjusted net profit is derived from the profit for the period after adjusting for non-recurring items which are not indicative of the Group's operating performance, including (i) share-based payments, and (ii) government grants.

	As at the end of			
	28 February 2017	29 February 2016	**Change**	**Percentage Change**
Total number of students enrolled	**20,636**	17,980	**+2,656**	**+14.8%**
Total capacity	**35,340**	30,040	**+5,300**	**+17.6%**
Overall utilization	**58.4%**	59.9%	**-1.5pp**	**-2.5%**

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 26, which comprise the condensed consolidated statement of financial position as of 28 February 2017 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**") issued by the International Accountings Standards Board. 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" issued by the International Auditing and Assurance Standards Board. 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

25 April 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 28 February 2017

	NOTES	**Six months ended 28 February 2017 RMB'000 (unaudited)**	Six months ended 29 February 2016 RMB'000 (unaudited)
Revenue	3	**483,259**	380,250
Cost of revenue		**(255,902)**	(201,190)
Gross profit		**227,357**	179,060
Investment and other income	4	**24,393**	22,311
Other gains and losses		**27,338**	(4,829)
Marketing expenses		**(11,120)**	(10,032)
Administrative expenses		**(69,938)**	(53,828)
Finance costs		**(3,372)**	–
Other expenses		**(3,066)**	(698)
Profit before taxation		**191,592**	131,984
Taxation	5	**(10,937)**	(6,996)
Profit for the period	6	**180,655**	124,988
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		**(1,309)**	(198)
Change in fair value of available-for-sale investments		**–**	6,787
Other comprehensive (expense) income for the period		**(1,309)**	6,589
Total comprehensive income for the period		**179,346**	131,577
EARNINGS PER SHARE			
Basic (RMB cents)	8	**13.55**	9.41
Diluted (RMB cents)	8	**13.52**	9.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 28 February 2017

	NOTES	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	9	**1,507,637**	1,505,847
Prepaid lease payments		**163,904**	166,165
Investment properties	9	**341,718**	11,568
Goodwill		**12,399**	12,399
Intangible assets		**343**	462
Books for lease		**4,257**	3,187
Interest in a joint venture		**1,000**	–
Pledged bank deposits		**245,000**	242,000
		2,276,258	1,941,628
Current Assets			
Inventories		**11,657**	9,421
Deposit, prepayments and other receivables		**39,234**	37,373
Held for trading investments		**13,655**	–
Restricted cash		**1,144**	–
Bank balances and cash		**974,381**	1,237,902
		1,040,071	1,284,696
Current Liabilities			
Deferred revenue	10	**445,067**	802,848
Other payables and accrued expenses	11	**236,913**	336,972
Borrowings	12	**117,702**	–
Income tax payable		**43,123**	43,744
		842,805	1,183,564
Net Current Assets		**197,266**	101,132
Total Assets Less Current Liabilities		**2,473,524**	2,042,760
Capital And Reserves			
Share capital	13	**8,418**	8,418
Reserves		**2,128,037**	2,013,067
		2,136,455	2,021,485
Non-Current Liabilities			
Deferred tax liabilities		**21,221**	21,275
Borrowings	12	**315,848**	–
		337,069	21,275
		2,473,524	2,042,760

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2017

	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-based payment reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000
At 1 September 2015	8,411	1,234,655	(58,982)	(6,117)	(286)	179,036	1,183	454,394	1,812,294
Other comprehensive income (expense) for the period	–	–	–	6,787	(198)	–	–	–	6,589
Profit for the period	–	–	–	–	–	–	–	124,988	124,988
Total comprehensive income (expense) for the period	–	–	–	6,787	(198)	–	–	124,988	131,577
Share-based payments	–	–	–	–	–	–	24	–	24
Dividends recognised as distribution (Note 7)	–	(79,915)	–	–	–	–	–	–	(79,915)
Dividends distributed to the restricted share award scheme	–	1,813	–	–	–	–	–	–	1,813
At 29 February 2016 (unaudited)	**8,411**	**1,156,553**	**(58,982)**	**670**	**(484)**	**179,036**	**1,207**	**579,382**	**1,865,793**
At 1 September 2016	**8,418**	**771,094**	**(52,331)**	**–**	**552**	**193,223**	**4,522**	**1,096,007**	**2,021,485**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**(1,309)**	**–**	**–**	**–**	**(1,309)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**180,655**	**180,655**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(1,309)**	**–**	**–**	**180,655**	**179,346**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**4,167**	**–**	**4,167**
Dividends recognised as distribution (Note 7)	**–**	**(69,792)**	**–**	**–**	**–**	**–**	**–**	**–**	**(69,792)**
Dividends distributed to the restricted share award scheme	**–**	**1,249**	**–**	**–**	**–**	**–**	**–**	**–**	**1,249**
At 28 February 2017 (unaudited)	**8,418**	**702,551**	**(52,331)**	**–**	**(757)**	**193,223**	**8,689**	**1,276,662**	**2,136,455**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 28 February 2017

Note a: *Shares held for restricted share award scheme is comprised of the consideration paid for the share award scheme (the "**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 liability companies and (ii) the development fund of schools.*

(i) For PRC subsidiaries with limited liability, each subsidiary 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, a private school that does not require for reasonable return, is required to appropriate to development fund of not less than 25% of the annual increase in net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 28 February 2017

	Six months ended 28 February 2017 RMB'000 (unaudited)	Six months ended 29 February 2016 RMB'000 (unaudited)
Net cash used in operating activities	**(219,994)**	(180,994)
Net cash (used in) generated from investing activities		
Proceeds on disposal of held for trading investments	**9,443**	–
Proceeds on disposal of property, plant and equipment	**1,087**	10,171
Proceeds on disposal of available-for-sale investments	**–**	100,701
Dividends received from available-for-sale investments	**–**	2,240
Purchase of investment property	**(330,833)**	–
Purchase of property, plant and equipment	**(62,119)**	(76,303)
Purchase of held for trading investments	**(21,386)**	–
Purchase of books for lease	**(2,430)**	(2,600)
Investment in a joint venture	**(1,000)**	–
Acquisition of a subsidiary	**–**	(4,240)
	(407,238)	29,969
Net cash generated from (used in) financing activities		
Placement of pledged bank deposits	**(113,000)**	–
Dividends paid	**(68,543)**	(78,102)
Interest paid	**(2,953)**	–
Repayment of borrowings	**(1,940)**	–
New bank loans raised	**437,392**	–
Release from pledged bank deposits	**110,000**	–
	360,956	(78,102)
Net decrease in cash and cash equivalents	**(266,276)**	(229,127)
Cash and cash equivalents at the beginning of the period	**1,237,902**	1,022,141
Effect of foreign exchange rate changes	**2,755**	2,999
Cash and cash equivalents at end of the period, represented by bank balances and cash	**974,381**	796,013

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements of China Maple Leaf Educational Systems Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 28 February 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2016.

In the current interim period, the Group has applied, for the first time, the following new International Financial Reporting Standards ("**IFRSs**"), amendments to IFRSs and IASs issued by International Accounting Standards Board that are relevant for the preparation of the Group's condensed consolidated financial statements:

IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above new IFRSs, amendments to IFRSs and IASs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) service income from tuition fees and boarding fees, (ii) fees from overseas studies consulting services and study tour and educational 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 valued added 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 service lines when making decisions about allocating resources and assessing performance of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

3. REVENUE AND SEGMENT INFORMATION (Continued)

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:

	Six months ended 28 February 2017 RMB'000 (unaudited)	Six months ended 29 February 2016 RMB'000 (unaudited)
Tuition and boarding fees	**413,225**	337,938
Others	**70,034**	42,312
	483,259	380,250

4. INVESTMENT AND OTHER INCOME

	Six months ended 28 February 2017 RMB'000 (unaudited)	Six months ended 29 February 2016 RMB'000 (unaudited)
Bank interest income	**12,841**	9,918
Rental income from investment properties	**7,010**	1,418
Government grants	**4,537**	8,032
Dividend income from available-for-sale investments	**–**	2,240
Interest income from short-term investments	**–**	701
Others	**5**	2
	24,393	22,311

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

5. TAXATION

	Six months ended 28 February 2017 RMB'000 (unaudited)	Six months ended 29 February 2016 RMB'000 (unaudited)
The charge comprises		
Current tax:		
PRC Enterprise Income Tax ("**PRC EIT**")	**10,991**	7,255
Deferred tax:		
Current period	**(54)**	(259)
	10,937	6,996

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited ("**Maple BVI**") was incorporated in the British Virgin Islands ("**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 was made as the Group's operation in Hong Kong had no assessable profit for either period.

Dalian Beipeng Educational Software Development Inc. ("**Beipeng Software**") is entitled to High and New Technology Enterprise status. Subject to final approval from the tax bureau, Beipeng Software is eligible for a preferential enterprise income tax rate of 15% for the calendar year of 2017.

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 Teda 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 Ordos Maple Leaf 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 in respect of their tuition income by the relevant local tax authorities.

6. PROFIT FOR THE PERIOD

	Six months ended 28 February 2017 RMB'000 (unaudited)	Six months ended 29 February 2016 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note)		
– salaries and other allowances	**195,699**	158,121
– retirement benefit scheme contributions	**8,539**	6,202
– share-based payments	**4,167**	24
Total staff costs	**208,405**	164,347
Gross rental income from investment properties	**(7,010)**	(1,418)
Less:		
Direct operating expenses (including depreciation) incurred for investment properties that generated rental income during the period (included in other expenses)	**3,066**	684
	(3,944)	(734)
Depreciation of property, plant and equipment	**24,571**	20,057
Depreciation of investment properties	**1,899**	428
Release of prepaid lease payments	**2,177**	2,196
Amortisation of books for lease	**1,360**	1,252

Note: Staff costs of approximately RMB157,887,000, RMB3,176,000 and RMB47,343,000 (for the six months ended 29 February 2016: RMB122,862,000, RMB2,661,000 and RMB38,824,000) were included in the cost of revenue, marketing expenses and administrative expenses respectively for the current interim period.

7. DIVIDENDS

During the current interim period, a final dividend of HK$5.8 cents per share in respect of the year ended 31 August 2016 was paid to shareholders. Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$6.0 cents per share in respect of the six months ended 28 February 2017 (2016: HK$4.2 cents) will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 16 May 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

8. EARNINGS PER SHARE

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

	Six months ended 28 February 2017 RMB'000 (unaudited)	Six months ended 29 February 2016 RMB'000 (unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**180,655**	124,988

	Six months ended 28 February 2017 '000 (unaudited)	Six months ended 29 February 2016 '000 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,333,176**	1,328,600
Effect of dilutive potential ordinary shares:		
Share options	**188**	779
Share Award Scheme	**3,303**	–
	3,491	779
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,336,667**	1,329,379

The number of shares adopted in the calculation of basic earnings per share for the six months ended 28 February 2017 has been arrived at after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group disposed of certain equipment with an aggregate carrying amount of approximately RMB4,049,000 (for the six months ended 29 February 2016: RMB7,995,000) for cash proceeds of approximately RMB1,087,000 (for the six months ended 29 February 2016: RMB10,171,000), resulting in a gain on disposal of approximately RMB866,000 (a loss for the six months ended 29 February 2016: RMB7,824,000).

An aggregate carrying amount of RMB20,000,000 in respect of certain buildings was deducted having regard to a government grant received during the current interim period (for the six months ended 29 February 2016: nil). In addition, the Group paid approximately RMB62,119,000 (for the six months ended 29 February 2016: RMB76,303,000) on addition of property, plant and equipment.

During the current interim period, the Group acquired a property in Singapore with an aggregate carrying amount of approximately Singapore Dollars ("**S$**") 67,883,000 (equivalent to approximately RMB333,685,000) for a cash consideration of S$67,303,000 (equivalent to approximately RMB330,833,000) (for the six months ended 29 February 2016: nil). The property is currently leased to a third party and therefore categorised as an investment property.

10. DEFERRED REVENUE

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Tuition and boarding fees	**428,172**	758,990
Others	**16,895**	43,858
	445,067	802,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

11. OTHER PAYABLES AND ACCRUED EXPENSES

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Other tax payables	**10,332**	15,705
Payables for purchase of property, plant and equipment	**52,422**	88,066
Payables for purchase of goods	**1,404**	4,412
Miscellaneous expenses received from students (Note)	**105,564**	159,107
Deposits received from students	**20,975**	20,339
Accrued payroll	**10,943**	14,926
Prepayment from lessee	**105**	107
Accrued operating expenses	**1,653**	1,807
Payable for land use right	**3,000**	3,000
Other payables	**30,515**	29,503
	236,913	336,972

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

12. BORROWINGS

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Secured bank borrowings	**433,550**	–
Less: Amount due within one year		
– shown under current liabilities	**117,702**	–
Amount shown under non-current liabilities	**315,848**	–

During the current interim period, the Group obtained variable interest rate bank loans secured by bank deposits and an investment property. The effective interest rate was 2.32% per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

13. 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 2015, 29 February 2016, 1 September 2016 and 28 February 2017	**4,000,000**	**4,000**	
Issued and fully paid			
At 1 September 2015 and 29 February 2016	1,359,680	1,360	8,411
Issue of shares upon exercise of share options	**1,071**	**1**	**7**
At 31 August 2016 and 28 February 2017	**1,360,751**	**1,361**	**8,418**

14. 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 was subsequently modified to the Share Award Scheme on 28 April 2015 for the primary purpose of providing incentives to directors, eligible employees and consultants (the "**Selected Participants**"). The Share Award Scheme has become effective on 28 April 2015. Under the Share Award Scheme, the directors of the Company may grant restricted shares to the Selected Participants.

The maximum number of award shares which may be granted to a selected participant but unvested under the Share Award Scheme shall not exceed 1% of the total number of issued shares of the Company from time to time.

The Company has appointed 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 in the open market using cash contributed by the Company to satisfy awards made under the Share Award Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

14. SHARE-BASED PAYMENTS (Continued)

Share Award Scheme (Continued)

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

The Company granted 7,162,195 restricted shares under the Share Award Scheme to the Selected Participants during the fiscal year ended 31 August 2016. No restricted shares have been granted and 36,000 restricted shares lapsed due to resignation of the Selected Participants during the current interim period.

Details of the restricted share types under the Share Award Scheme are as follows:

Restricted share type	Date of grant	Date of expiration	Restricted shares granted	Vesting date/period	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

Post-IPO Share Option Scheme

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

The 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.

14. 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.

The outstanding share options under Post-IPO Share Option Scheme were 600,000 as at 28 February 2017 and 31 August 2016. No share options have been granted, exercised, cancelled or lapsed during the current interim period.

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

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

14. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

The number of share options outstanding disclosed below has been respectively adjusted to reflect the capitalisation issue that became effective on 28 November 2014 ("**Listing Date**").

Under the Pre-IPO Share Option Scheme, the board of directors of the Company may grant options to the Selected Participants 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:

Option type	Date of grant	Date of expiration	Options granted	Vesting period	Exercisable period	Exercise price	Fair value at grant date
						RMB	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 the Pre-IPO Share Option Scheme were 176,716 as at 28 February 2017 and 31 August 2016 and 1,247,387 as at 29 February 2016 respectively. No share options have been granted, exercised, cancelled or lapsed during the current interim period.

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 estimated fair value of ordinary shares as of the grant date for the Pre-IPO Share Option Scheme 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.

15. CAPITAL COMMITMENTS

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 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	**114,076**	42,378

There were no capital commitments for which were authorised but not contracted for as at 28 February 2017 and 31 August 2016.

16. OPERATING LEASES COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Premises	**3,552**	4,331

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 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Within one year	**4,980**	4,555
In the second to fifth year inclusive	**10,709**	6,648
Over five years	**7,290**	4,205
	22,979	15,408

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

16. OPERATING LEASES COMMITMENTS (Continued)

The Group as lessor

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

	At 28 February 2017 RMB'000 (unaudited)	At 31 August 2016 RMB'000 (audited)
Within one year	**8,987**	2,004
In the second to fifth year inclusive	**509**	628
	9,496	2,632

17. CONTINGENT LIABILITIES

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking, among other things, specific performance of the consultancy agreement between the Company and Zhixin by the allotment and issue of 7 million shares in the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 28 February 2017, the Group has not made any provision in respect of the Zhixin Case.

The Company will provide an update as and when there is any material development in this matter.

18. 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 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 is determined (in particular, the valuation technique and inputs used).

Financial assets	**Fair value as at 28 February 2017**	**Fair value hierarchy**	**Valuation techniques**
Held for trading investments	Listed equity securities: – Financial industry RMB13,655,000	Level 1	Quoted bid prices in an active market

The Group recognised a gain on change in fair value on held for trading investments of RMB511,000 during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

19. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 6 September 2016, the Group completed the acquisition of 100% of the issued share capital of Lucrum Development (Singapore) Pte. Limited (subsequently renamed as Maple Leaf Education Hillside Pte. Limited, "**Maple Hillside**") for the consideration of S$67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party. The total consideration was fully paid by cash during the period. As the principal asset of Maple Hillside is a property located at 11 Hillside Drive in Singapore currently leased to an independent third party K-12 school operator, which is held as an investment property by Maple Hillside, the transaction was considered as an asset acquisition.

Acquisition-related costs amounting to S$367,838.63 (equivalent to approximately RMB1,802,000) have been excluded from the consideration transferred and have been recognised as an expense during the period.

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

	RMB'000
Investment properties	333,685
Furniture and others	644
Rental receivable	197
Rental deposit received	(2,950)
Income tax payable	(669)
Other tax payable	(74)
	330,833

20. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	Six months ended 28 February 2017 RMB'000 (unaudited)	Six months ended 29 February 2016 RMB'000 (unaudited)
Salaries and other allowances	**6,238**	5,346
Retirement benefits scheme contributions	**23**	7
Share-based payments	**2**	12
	6,263	5,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 28 February 2017

21. SUBSEQUENT EVENTS

Subsequent to 28 February 2017, the Company granted 5,490,000 shares and 80,896 shares of the Company held by the Trustee under the Share Award Scheme to certain eligible employees of the Group and Queenswood International Education Services Inc., a consultant of the Group, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With over twenty years of experience in China, the Group provides high quality K-12 education 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 BC, Canada and Chinese educational authorities respectively, allowing our graduates to receive both a fully accredited BC diploma and a Chinese diploma. We target 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 2016/2017 school year, 10 new schools were added to our school network. In September 2016, the Group opened a high school in Kamloops, BC, Canada; a middle school (for students from grade 7 to 9), an elementary school (for students from grade 1 to 6) and a preschool in Pinghu, Zhejiang Province; a middle school and an elementary school in Xi'an, Shannxi Province; a middle school and an elementary school in Huai'an, Jiangsu Province; a preschool in Tianjin; and a foreign national school in Yiwu, Zhejiang Province.

As at 28 February 2017, the Group had 56 schools located in 15 cities in China and Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Pinghu, Xi'an, Huai'an and Kamloops. The following table shows a summary of our schools by category as at the end of the two periods:

	At 28 February 2017	At 29 February 2016
High schools	**9**	8
Middle schools	**15**	12
Elementary schools	**14**	11
Preschools	**15**	13
Foreign national schools	**3**	2
Total	**56**	46

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

	For the six months ended			
	28 February 2017 RMB'000	**% of Total**	29 February 2016 RMB'000	% of Total
Tuition fees				
– High school	**224,212**	**46.4**	191,034	50.2
– Middle school	**70,591**	**14.6**	58,797	15.5
– Elementary school	**92,790**	**19.2**	67,244	17.7
– Preschool	**16,225**	**3.4**	12,327	3.2
– Foreign national school	**9,407**	**1.9**	8,536	2.2
Total of tuition fees	**413,225**	**85.5**	337,938	88.8
Textbooks	**20,785**	**4.3**	19,856	5.2
Study tour and educational vacation activities	**20,692**	**4.3**	15,597	4.1
Other educational services	**1,161**	**0.2**	584	0.2
Others	**27,396**	**5.7**	6,275	1.7
Total revenue	**483,259**	**100**	380,250	100

For the six months ended 28 February 2017, tuition fees remained our major revenue contributor, accounting for over 85.5% of total revenue. Tuition fees generally include boarding fees, which are mainly paid 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 28 February 2017, tuition fees increased by RMB75.3 million, or 22.3%, mainly due to an increase in overall student enrolments and an increase in the tuition fee rates of certain schools with effect from September 2016.

Tuition fees from our high schools increased by 17.4%, while tuition fees from middle and elementary schools increased by 20.1% and 38.0% respectively. The positive performance in our middle and elementary schools was mainly attributable to the opening of 3 new middle schools and 3 new elementary schools in September 2016, while the number of students in our schools in Yiwu grew significantly.

Revenue from others principally comprises revenue from self-operated supermarkets and provision of school uniforms. We started operating supermarkets in our schools selling food and miscellaneous school supplies from the second semester of the 2014/2015 school year, and started selling school uniforms from the second semester of the 2015/2016 school year. Accordingly, revenue from others increased significantly for the six months ended 28 February 2017.

Student Enrollments

	At 28 February 2017	At 29 February 2016	**Change**	**Change Percentage**
Total number of students enrolled	**20,636**	17,980	**+2,656**	**+14.8%**

The total number of students increased due to (i) an increase in student enrollments at our schools in Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan and Yiwu, and (ii) the opening of new schools in Pinghu, Xi'an, Huai'an and Kamloops, with effect from September 2016. In particular, our schools in Tianjin (Huayuan) and Yiwu experienced a remarkable growth in student enrollments for the six months ended 28 February 2017.

Average Tuition Fee per Student

	For the six months ended	
	28 February 2017	29 February 2016
Tuition fees (RMB'000)	**413,225**	337,938
Average student enrollments^	**19,985**	17,029
Average tuition fee per student# (RMB'000)	**20.7**	19.8

^ *Average student enrollments is calculated by taking the average of the total number of students enrolled at the end of the six month 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 month period by average student enrollment.

Average tuition fee per student increased by approximately 4.5% due to increased tuition fee rates at our schools located at Wuhan, Tianjin and Shanghai with effect from the 2016/2017 school year. Increased tuition fee rates only apply to new students enrolled.

MANAGEMENT DISCUSSION AND ANALYSIS

Utilization of Our Schools

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

	At 28 February 2017	At 29 February 2016
Total number of students enrolled	**20,636**	17,980
Total capacity	**35,340**	30,040
Overall utilization	**58.4%**	59.9%

Total capacity increased primarily due to the opening of schools in Pinghu, Xi'an, Huai'an and Kamloops in September 2016. The insignificant decrease in our overall utilization rate was due to a significant increase in our capacity due to the opening of 10 new schools, which added 5,300 additional beds/desks.

Our Teachers

	At 28 February 2017	At 29 February 2016
Total number of teachers	**1,999**	1,762

In this first semester, our student-teacher ratio remained relatively stable at below 11:1. The total number of teachers increased mainly because more PRC-certified teachers were recruited for the opening of the 3 middle schools and 3 elementary schools at the commencement of the 2016/2017 school year.

OUTLOOK

Student Enrollments

As at 31 March 2017, our total student enrollments were 22,693. Approximately 35% of our current students are high school students.

On 16 November 2016 and 5 February 2017, the Group entered into sale and purchase agreements to acquire majority control of Hainan Science and Education Group Co., Ltd* (the "**Target Company**"), owner of Hainan National Science Park Experimental School* (the "**Target School**"), a school located in Haikou City. Our 31 March 2017 enrollment statistics did not take into account over 3,300 students at the Target School. Taking into account these students, our total student enrollments would have been over 26,000, which is beyond our student enrolment target for the 2016/2017 school year as laid down under the Group's fifth five-year plan.

The Group believes that establishing a 'through-train' for students from preschool to high school can improve the efficiency of our school system, while producing students that are better prepared for the BC diploma in our high schools and further studies at international universities. In order to achieve this, the Group will continue to open more middle and elementary schools in second and third tier cities in China, which are large enough to serve as district schools, as feeders for our high schools. Therefore, the Group expects that the proportion of our students in middle and elementary school will continue to grow.

New School Openings in the 2017/2018 School Year

The Group has a strong pipeline of new schools in China which will open in the 2017/2018 school year. In particular, the Group will open 15 new schools (2 high schools, 4 middle schools, 5 elementary schools, and 4 preschool) in 5 additional cities in China and Canada, namely Huzhou in Zhejiang Province, Weifang in Shandong Province, Liangping in Chongqing, Yancheng in Jiangsu Province and Richmond in Canada. Furthermore, the Group plans to expand our existing school network in Dalian and Xi'an. These new schools and campuses are expected to add more than 7,100 new spaces to our total capacity.

Expansion of Our Established Schools in the 2017/2018 School Year

We continue to see high demand for our established schools and will look to expand a number of our schools. In 2017/2018 school year, we expect to increase the capacity of our schools in Chongqing and Tianjin Teda by 1,500 and 600 respectively. We expect to expand our school in Wuhan during the 2018/2019 school year.

Acquisition in Haikou, China

On 5 February 2017, the Group entered into agreements with third parties independent of the Company to purchase in aggregate 47.5% of the equity interest (the "**Acquisition**") in the Target Company for an aggregate consideration of RMB77,915,000 (equivalent to approximately HK$88,190,000). The Target Company is a company established in the PRC with limited liability which is principally engaged in the operation of the Target School, a K-12 boarding school located in Haikou City in Hainan Province, which is a private non-enterprise organisation wholly-owned by the Target Company. The Target School currently has over 3,300 students. The Target School premises, comprising over 50 classrooms including multi-purpose rooms such as science labs, arts studios and multimedia rooms, occupy a site area of approximately 54,057 square metres and a floor area of approximately 52,696 square metres.

MANAGEMENT DISCUSSION AND ANALYSIS

The Acquisition will be satisfied by the allotment and issue of an aggregate of 18,636,733 consideration shares by the Company under the general mandate at an issue price of HK$4.732. On 16 November 2016, the Group entered into agreement with a third party independent of the Company to acquire a 4.9% equity interest in the Target Company for a cash consideration of RMB7,497,000 (equivalent to approximately HK$8,486,000) (the "**4.9% Transaction**"). Upon completion of the 4.9% Transaction and the Acquisition, the Target Company will be owned as to 52.4% by the Group and the Target Company will become a consolidated affiliated entity of the Company. As at the date of this report, the Acquisition had not yet been completed.

As mentioned above, the Group is principally engaged in the operation of international schools for K-12 education in the PRC. Upon completion of the 4.9% Transaction and the Acquisition, subject to obtaining the necessary permits/approvals from the relevant governmental authorities, the Group will assume operation of the Target School which will be the Group's first Maple Leaf school in Hainan Province. The Target School will be re-named Hainan Maple Leaf International School. This acquisition provides an opportunity for the Group to establish its strategic presence in a new province and expand its school network into the south of the PRC. Furthermore, the Target School has been operating in Hainan Province since 1994 and has established a reputation in the local community. As the Target Company will become a consolidated affiliated entity of the Company upon completion of the 4.9% Transaction and the Acquisition, the addition of the Target School to the Group's school network will improve the profitability of the Group and strengthen its position in the education industry. The Group expects to operate the Target School as an international high school teaching a BC high school diploma curriculum, commencing in the 2017/2018 school year. For details of the Acquisition, please refer to the Company's announcements dated 5 February 2017, 24 February 2017 and 17 April 2017.

International Expansion

The Group is actively exploring opportunities to expand its school network into cities outside the PRC where our students wish to study and into areas where local students may benefit from a bilingual Maple Leaf education. Our first school in Canada, Maple Leaf University School – Thompson Rivers University ("**MLUS-TRU**") was opened on the campus of Thompson Rivers University in September 2016. Students at MLUS-TRU benefit from the Maple Leaf bilingual curriculum as well as access to the excellent facilities of Thompson Rivers University. We expect to open a second Maple Leaf University School on the campus of Kwantlen Polytechnic University in Richmond, BC, commencing in the September 2017/2018 school year.

Upon graduation from our high schools, Maple Leaf students are admitted into a wide range of international universities principally in Canada, Australia, the United States, the United Kingdom and Switzerland. As interest to study in Australia among our students has increased rapidly, in April 2017 we announced signing a memorandum of understanding to establish the first Maple Leaf University School in Australia. Maple Leaf University School - University of South Australia ("**MLUS-UniSA**") is expected to open in 2018 at the Magill campus of the University of South Australia ("**UniSA**"). UniSA is one of the leading universities in Australia and is ranked among the Top 50 young universities worldwide by both QS and Times Higher Education. MLUS-UniSA is expected to apply to be accredited as an IB World School, and is expected to be Maple Leaf's first school teaching the International Baccalaureate curriculum.

In September 2016, Maple Leaf announced the acquisition of a 7,569 square metres school campus at 11 Hillside Drive ("**Hillside**") in Singapore. Singapore is recognised as an important educational hub, and is the largest market for international schools in South East Asia. Hillside is well located in central Singapore, and is 450m from the Serangoon Stadium and approximately 1km from Kovan MRT. The campus is currently leased to a third party. When the campus is vacated by the tenant, Maple Leaf intends to open its first school in South East Asia.

University Placements

The quality of a Maple Leaf education is reflected in the achievements of our students. As of April 2017, 1,857 Maple Leaf high school students of the class of 2017 had received over 4,400 offers from universities in 12 countries. The quality of our university placements continues to improve. As of April 2017, 43 of our students had received offers from World Top 10 universities including prestigious University College London and Imperial College.

Grant of Share Options and Share Awards

The board of directors of the Company (the "**Board**") realizes the importance of the 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 share option schemes and the share award scheme (the "**Share Award Scheme**"). The Board believes that the commitment of our staff and teachers to Maple Leaf is encouraged by sharing our success with our staff and increasing the number of employee shareholders.

Subsequent to the end of the current interim period, the Board has resolved to grant share awards of a total of 5,490,000 shares of the Company ("**Shares**") and 80,896 Shares under the Share Award Scheme respectively to certain eligible employees and a consultant of the Group, including our teachers, with certain vesting conditions. The Company will continue to make use of these schemes to attract, retain and motivate our directors, senior management and employees.

Conclusion

As at 28 February 2017, deferred revenue amounted to RMB445.1 million providing an indication of the amount that will be recognized as tuition revenue for the second half of the year ending 31 August 2017. It is also expected that additional revenue will be recorded from study tours and educational vacation activities, summer classes and graduation consulting services in the second half of the year ending 31 August 2017.

Maple Leaf's growth is driven by these principal sources: (i) organic growth in our enrolments; (ii) tuition fee increment; (iii) expansion of our established schools; (iv) openings of new schools; and (v) acquisitions of schools in both China and overseas.

We continue to employ a capital efficient expansion strategy in our openings of new schools. Of the 10 new Maple Leaf schools which opened in the first half of the 2016/2017 school year, 7 campuses were either leased or asset-light schools jointly developed with local partners. All 15 new schools scheduled to be opened in 2017/2018 school year will be asset-light.

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, fees for our study tour and educational vacation activities, other educational services and revenue from other sources relating to the needs of our students including revenue from the self-operated supermarkets in our school campuses and the provision of school uniforms.

Total revenue of the Group increased by RMB103.0 million, or 27.1%, from RMB380.3 million for the six months ended 29 February 2016 to RMB483.3 million for the six months ended 28 February 2017. The increase was primarily due to the increase in revenue from tuition fees by RMB75.3 million and the increase in revenue from others by RMB27.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from tuition fees increased by 22.3% from RMB337.9 million for the six months ended 29 February 2016 to RMB413.2 million for the six months ended 28 February 2017, due largely to the increase in student enrollments by 14.8% and the increase in tuition fee rates of certain schools with effect from September 2016. Revenue from others increased mainly because the Group started operating supermarkets selling food and miscellaneous school supplies from the second semester of the 2014/2015 school year, and started providing school uniforms from the second half of the 2015/2016 school year.

Cost of Revenue

Our cost of revenue primarily consists 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 study tours and educational vacation activities overseas. Other costs include daily operating expenses of our schools and facilities, including the cost of furniture at our schools and the cost of maintaining our facilities.

Cost of revenue increased by RMB54.7 million, or 27.2%, from RMB201.2 million for the six months ended 29 February 2016 to RMB255.9 million for the six months ended 28 February 2017. The increase was largely due to an increase in teaching staff costs by RMB33.9 million, an increase in depreciation and amortisation by RMB1.2 million and an increase in other costs by RMB15.8 million.

Teaching staff costs increased by 27.5% from RMB122.9 million for the six months ended 29 February 2016 to RMB156.7 million for the six months ended 28 February 2017, due primarily to an increase in the number of our teachers from 1,762 as at 29 February 2016 to 1,999 as at 28 February 2017. Depreciation and amortisation increased from RMB21.4 million for the six months ended 29 February 2016 to RMB22.6 million for the six months ended 28 February 2017, primarily due to additional deprecation charge for our schools in Pinghu which were opened in September 2016. Other costs increased from RMB44.0 million for the six months ended 29 February 2016 to RMB59.8 million for the six months ended 28 February 2017, primarily due to an increase in the cost of sales of goods and educational materials to students.

Gross Profit

As a result of the foregoing, gross profit increased by 27.0% from RMB179.1 million for the six months ended 29 February 2016 to RMB227.4 million for the six months ended 28 February 2017. Our gross margin decreased slightly from 47.1% for six months ended 29 February 2016 to 47.0% for the six months ended 28 February 2017 primarily due to an increase in share-based payment expenses for teachers.

Investment and Other Income

Investment and other income consists mainly of interest income from our bank deposits and short-term wealth management products, rental income from investment properties, dividends from available-for-sale investments and government grants. Investment and other income increased by 9.3% from RMB22.3 million for the six months ended 29 February 2016 to RMB24.4 million for the six months ended 28 February 2017.

For the six months ended 28 February 2017, bank interest income increased by RMB2.9 million primarily due to better utilisation of surplus cash. Dividend income from available-for-sale investments decreased by RMB2.2 million due to a divestment completed in the previous period.

Other Gains and Losses

Other gains and losses consist primarily of gains on the extinguishment of other payables and foreign exchange gains and losses. Other gains and losses increased from a loss of RMB4.8 million for the six months ended 29 February 2016 to a gain of RMB27.3 million for the six months ended 28 February 2017. The increase was mainly attributable to a gain on the extinguishment of other payables of RMB16.3 million.

Marketing Expenses

Marketing expenses mainly consist 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 10.8% from RMB10.0 million for the six months ended 29 February 2016 to RMB11.1 million for the six months ended 28 February 2017. Marketing expenses as a percentage of revenue decreased from 2.6% for the six months ended 29 February 2016 to 2.3% for the six months ended 28 February 2017, primarily due 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, employee share options and certain professional expenses. Administrative expenses increased by 29.9% from RMB53.8 million for the six months ended 29 February 2016 to RMB69.9 million for the six months ended 28 February 2017. Administrative expenses as a percentage of revenue increased from 14.2% for the six months ended 29 February 2016 to 14.5% for the six months ended 28 February 2017, primarily due to an increase in staff costs of RMB8.5 million.

Finance Costs

For the six months ended 28 February 2017, finance costs mainly represented interest expense for secured bank borrowings. Finance costs increased from nil for the six months ended 29 February 2016 to RMB3.4 million for the six months ended 28 February 2017 primarily due to new bank borrowings.

Other Expenses

Other expenses increased from RMB0.7 million for the six months ended 29 February 2016 to RMB3.1 million for the six months ended 28 February 2017 largely due to depreciation expense in respect of the school campus acquired in Singapore during the current period.

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB191.6 million for the six months ended 28 February 2017, compared with RMB132.0 million for the six months ended 29 February 2016. Profit before taxation as a percentage of revenue was 39.6% for the six months ended 28 February 2017, compared with 34.7% for the six months ended 29 February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

Income tax expense of the Group increased from RMB7.0 million for the six months ended 29 February 2016 to RMB10.9 million for the six months ended 28 February 2017, 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 28 February 2017 and the six months ended 29 February 2016 was 5.7% and 5.3%, respectively. The increase in the Group's effective tax rates was primarily due to share-based payments expenses and an increase in profit generated from sales of goods and educational materials to students which are not exempted from PRC EIT.

Profit for the Period

As a result of the above factors, profit for the period of the Group increased by 44.5% from RMB125.0 million for the six months ended 29 February 2016 to RMB180.7 million for the six months ended 28 February 2017.

Adjusted Net Profit

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

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Profit for the period	**180,655**	124,988
Add:		
Share-based payments	**4,167**	24
Less:		
Government grants	**(4,537)**	(8,032)
Adjusted net profit	**180,285**	116,980

Adjusted net profit for the six months ended 28 February 2017 increased by RMB63.3 million or 54.1%. Adjusted net profit margin increased from 30.8% for the six months ended 29 February 2016 to 37.3% for the six months ended 28 February 2017, due primarily to the increase in revenue and decrease in marketing expenses as mentioned above.

Capital Expenditures

During the six months ended 28 February 2017, the Group spent RMB330.8 million for the acquisition of a school campus in Singapore.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital Structure

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

	Six months ended	
	28 February 2017 RMB'000 (unaudited)	29 February 2016 RMB'000 (unaudited)
Net cash used in operating activities	**(219,994)**	(180,994)
Net cash (used in) generated from investing activities	**(407,238)**	29,969
Net cash from (used in) financing activities	**360,956**	(78,102)
Net decrease in cash and cash equivalents	**(266,276)**	(229,127)
Cash and cash equivalents at the beginning of the period	**1,237,902**	1,022,141
Effect of foreign exchange rate changes	**2,755**	2,999
Cash and cash equivalents at end of the period	**974,381**	796,013

As at 28 February 2017, the Group's bank balances and cash amounted to RMB974.4 million, of which the majority were denominated in RMB. Bank balances and cash decreased mainly because the Group utilised the tuition fees received in advance, the majority of which was received before 31 August 2016, to finance its operating expenditure for the six months ended 28 February 2017.

As at 28 February 2017, the Group's bank borrowings were RMB433.6 million all of which were secured by the Group's bank deposits or investment property.

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

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures and liabilities are denominated in foreign currencies such as CAD, HK$, S$ and United States Dollars ("**USD**"). As at 28 February 2017, certain bank balances and cash and liabilities were denominated in CAD, HK$, S$ and USD. The Group did not enter into any financial arrangements for hedging purpose as it is expected that foreign exchange exposure will not be material.

Contingent Liabilities

On 15 November 2016, the Company received a writ of summons from Hong Kong Zhixin Financial News Agency Ltd. ("**Zhixin**") seeking among other things, specific performance of the consultancy agreement between the Company and Zhixin by the allotment and issue of 7,000,000 shares of the Company to Zhixin, and damages in lieu or in addition thereof ("**Zhixin Case**"). On 28 November 2016, the Company filed with the High Court of the Hong Kong Special Administrative Region its acknowledgement of service of the writ and indicated its intention to defend the claim.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 28 February 2017, the Group has not made any provision in respect of the Zhixin Case.

The Company will provide an update as and when there is any material development in this matter.

Pledge of Assets

As at 28 February 2017, the Group pledged total bank deposits of RMB245 million and certain investment property with an aggregate carrying amount of RMB331 million to certain licensed banks for certain bank facilities in the amount of RMB433.6 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 6 September 2016, the Group completed the acquisition of 100% of the issued share capital of Lucrum Development (Singapore) Pte. Limited ("**Lucrum Development**") for the consideration of S$67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party which was fully settled by bank borrowings denominated in S$. 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 square metres which is currently leased to an independent third party K-12 school operator (the "**Tenant**"). When the school property is vacated by the Tenant, Maple Leaf intends to open its first school in Singapore.

During the year, the Group entered into agreements with third parties independent of the Company to purchase equity interests in Hainan Science and Education Group Co., Ltd.*, owner of Hainan National Science Park Experimental School*. For details, please refer to the section headed "Acquisition in Haikou, China" above.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries during the six months ended 28 February 2017.

SIGNIFICANT INVESTMENTS HELD

As at 28 February 2017, no significant investment was held by the Group.

EMPLOYEE BENEFITS

As at 28 February 2017, the Group had 3,717 full-time employees (as at 29 February 2016: 3,168). 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, the financial performance of the Group and the relevant market conditions. Total employee remuneration (including directors' remuneration) for the six months ended 28 February 2017 amounted to approximately RMB208.4 million.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK$6.0 cents per share for the six months ended 28 February 2017 to the shareholders of the Company ("**Shareholders**") whose names appear on the register of members of the Company at the close of business on 16 May 2017 (Tuesday). The interim dividend is expected to be paid on or about 26 May 2017 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend for the six months ended 28 February 2017, the register of members of the Company will be closed from 12 May 2017 (Friday) to 16 May 2017 (Tuesday), both days inclusive, during which period no transfer of 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 11 May 2017 (Thursday).

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 28 February 2017, 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 on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") ("**Listing Rules**") 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 chief executive officer ("**CEO**"). The Board believes that by vesting the roles of both chairman and CEO in Mr. Shu Liang Sherman Jen, 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 within the Company.

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 of the Company (the "**Directors**") and the relevant employees and they have confirmed that they have complied with the Model Code during the six months ended 28 February 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 28 February 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

OTHER INFORMATION

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

As at 28 February 2017, 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:

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	1,233,410	2,015 (Note 2)	1,235,425	0.09%
	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%

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 (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 28 February 2017, 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 28 February 2017, 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	741,869,909	54.52%
Ms. Yan (Note 2)	Interest of spouse	743,105,334	54.61%
	Beneficial interest	671	0.00%
Buena Vista Fund Management, LLC ("**Buena Vista Fund**") (Note 3)	Investment manager	98,388,000	7.23%

Notes:

1. *Sherman Investment is wholly-owned by Mr. Jen, and has a direct beneficial interest in 54.52% of the shareholding of 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) 1,233,410 Shares, (ii) options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 2,015 Shares, and (iii) 741,869,909 Shares held by Sherman Investment.*

3. *Buena Vista Asian Opportunities Master Fund, LTD is the beneficial owner of 98,388,000 Shares. Buena Vista Asian 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 in which Buena Vista Asian Opportunities Master Fund, LTD are interested by virtue of the SFO.*

Save as disclosed above, as at 28 February 2017, 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 on 1 April 2008 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 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 our 2016 annual report.

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.

Grantees	Date of grant	Number of share options outstanding as at 1 September 2016 and 28 February 2017	Exercise period	Exercise price per share option	Vesting period
Directors					
Mr. Jen	2 June 2014	2,015	10 years after the date of grant	RMB0.93	None
Jingxia Zhang	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
Zhenwan Liu*	2 June 2014	1,007	10 years after the date of grant	RMB0.93	None
Sub-total		**5,371**			
Other employees					
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
Sub-total		**171,345**			
Total		**176,716**			

* *Resigned on 15 August 2016*

During the six months ended 28 February 2017, 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 1 September 2016	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 28 February 2017	Vesting date	Exercise price per share option	Exercise period
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**			

For details of the closing price of the Shares and the fair value of the options granted, please refer to note 14 to the condensed consolidated financial statements included in this interim report.

Share Award Scheme

During the six months ended 28 February 2017, no share awards were granted under the Share Award Scheme. As at 28 February 2017, the scheme trustee (the "**Trustee**") of the Share Award Scheme held 27,574,805 Shares.

The table below discloses movements in the outstanding Shares granted under the Share Award Scheme.

Grantees	Date of grant	Number of Shares: As at 1 September 2016	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	As at 28 February 2017	Vesting date (Note)	Vesting conditions
Employees in aggregate								
Second tranche	1 March 2016	2,239,000	–	–	32,000	2,207,000	31 May 2017	Subject to performance conditions
Third tranche	1 March 2016	1,100,000	–	–	4,000	1,096,000	31 May 2018	Subject to performance conditions
Total		**3,339,000**	**–**	**–**	**36,000**	**3,303,000**		

Note: The vesting date is subject to the completion of certain administrative procedures relevant to the Trustee and the grantees.

Subsequent to 28 February 2017, the Company granted 5,490,000 and 80,896 Shares held by the Trustee under the Share Award Scheme to certain eligible employees of the Group and Queenswood International Education Services Inc., a consultant of the Group, respectively.

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, Tian Yuan Law Firm has advised us that there have not been changes in the relevant regulatory development 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 2016 annual report.

For the efforts and actions undertaken by the Group to compile with the Qualification Requirement, please refer to the section headed "Qualification Requirement" in the report of Directors included in our 2016 annual report.

USE OF PROCEEDS

The net proceeds from the listing of 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 was 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 RMB145.2 million has been utilized towards the expansion of our school network, in particular by developing new schools in major cities in China;
- approximately RMB52.2 million has been utilized towards the maintenance, renovation and upgrade of our existing schools, such as the boy's school campus in Dalian;
- 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

Subsequent to 28 February 2017, the Company granted 5,490,000 and 80,896 Shares held by the Trustee under the Share Award Scheme to certain eligible employees of the Group and Queenswood International Education Services Inc., a consultant of the Group, respectively.

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 independent non-executive Directors. 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 28 February 2017 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 and internal control adopted by the Company with senior management members of the Company.

OTHER CHANGES IN DIRECTOR'S INFORMATION

Other changes in Director's information are set out below:

- Mr Howard Robert Balloch was appointed as vice chairman of the Board on 3 January 2017. He resigned as vice chairman of the Canada China Business Council on 23 September 2016.

- Mr Lap Tat Arthur Wong resigned as an independent non-executive director of VisionChina Media, Inc. on 15 January 2017.

Save for those disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Hong Kong, 25 April 2017

* *For identification purposes only*