



开启全球机遇之门
Presenting a world of opportunity

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

ANNUAL REPORT 2017



* For identification purposes only

CONTENTS

CHINA MAPLE LEAF EDUCATIONAL SYSTEMS LIMITED
2017 ANNUAL REPORT

Corporate Information	2
Corporate Profile	4
Five-Year Financial Summary	6
Chairman's Statement	9
Financial and Operational Highlights	11
Management Discussion and Analysis	13
Directors and Senior Management	28
Report of the Directors	37
Corporate Governance Report	66
Independent Auditor's Report	76
Consolidated Financial Statements	80



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Howard Robert Balloch *(Vice Chairman)*

Independent Non-executive Directors

Mr. Peter Humphrey Owen
Mr. Chak Kei Jack Wong*
Mr. Xiaodan Mei#
Mr. Lap Tat Arthur Wong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

* Resigned on 27 August 2017

Appointed on 27 August 2017

COMPANY SECRETARY

Ms. Wai Ling Chan

AUTHORIZED REPRESENTATIVES

Ms. Jingxia Zhang
Ms. Wai Ling Chan

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong law
DLA Piper Hong Kong

As to PRC law
Tian Yuan Law Firm

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. 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

Email: ir@mapleleaf.net.cn
Address: Room 1302, 13/F., Tai Tung Building
8 Fleming Road, Wanchai, Hong Kong



CORPORATE PROFILE

China Maple Leaf Educational Systems Limited (the “**Company**”, together with its subsidiaries 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 the “**PRC**”) as measured by student enrolment.

Founded in 1995, the Group’s headquarter is located at Dalian, Liaoning Province, China. With over twenty two years’ experience in operating international schools in China, the Group provides high quality K-12 education by combining the merits of both Western and Chinese educational philosophies in 16 cities in China and British Columbia (“**BC**”), Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Yiwu, Jingzhou, Pinghu, Xi’an, Huai’an, Haikou and Kamloops.

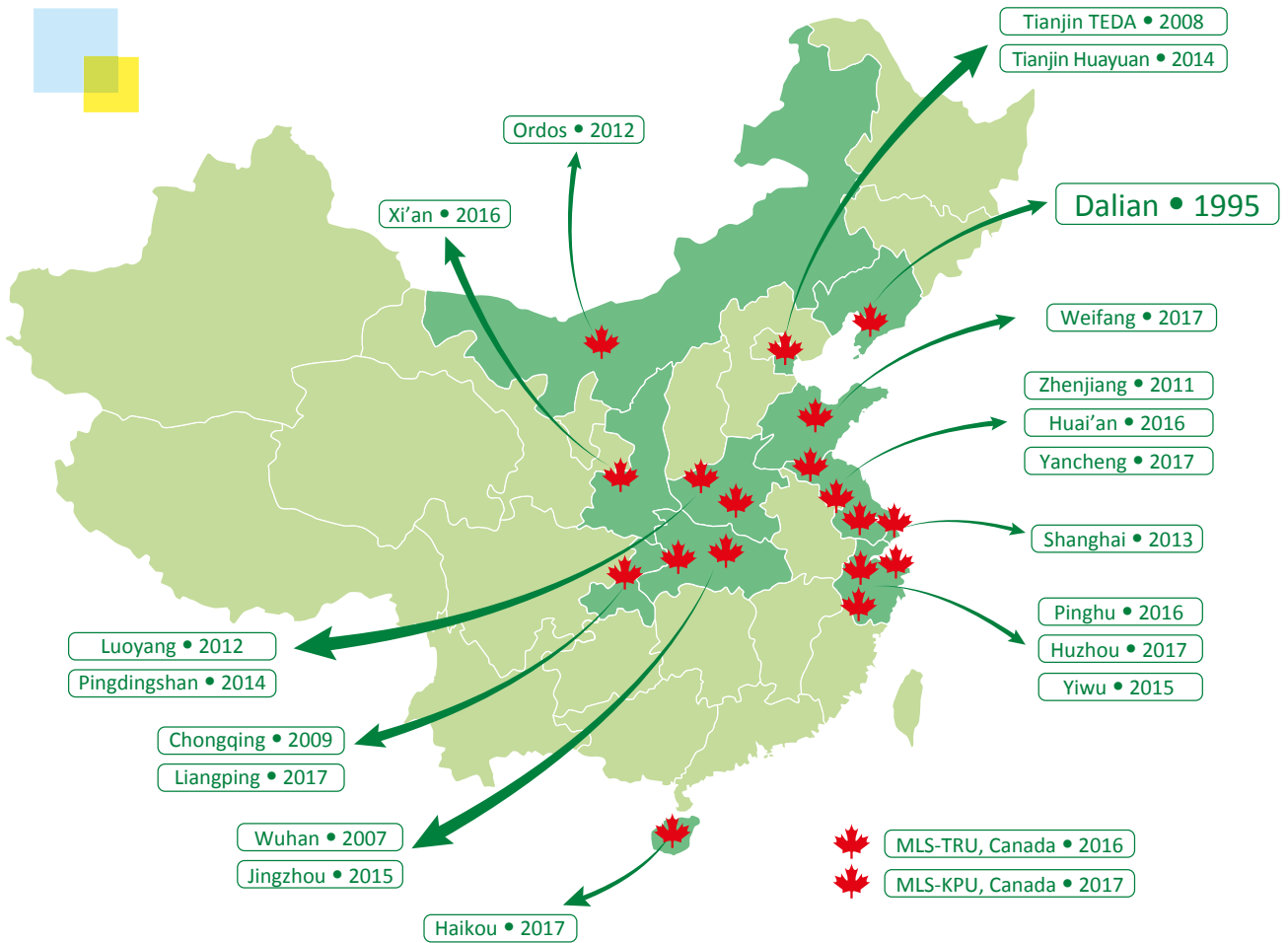
As at 15 October 2017, the Group had 28,111 students and 2,640 teachers. We currently have 73 schools of which 71 are located in China and 2 are located in Canada, comprising 12 high schools (for students in grade 10 to 12), 20 middle schools (for students in grade 7 to 9), 20 elementary schools (for students in grade 1 to 6), 18 preschools and 3 foreign national schools. Over 90% of our students are local Chinese mainly from middle class and above families and the rest are foreigners.

Our high schools are certified by both the Ministry of Education of BC, Canada and the Chinese government, 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. Furthermore, all of our high schools with students enrolled in grade 10 to 12 have been accredited by AdvancED, the largest school accreditation agency in the United States of America. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes to our students. Currently, the Group employs approximately 384 BC-certified teachers.

The Group first launched its Maple Leaf Global Top 100 University Guide (“**Maple Leaf Guide**”) based on well recognized international rankings, such as QS, US News and MacLean’s, in 2015/2016 school year. The Group believes that the Maple Leaf Guide is well suited for the majority of its students who aim for English-language universities. For the year ended 31 August 2017, the Group had 1,807 high school graduates, 46 of whom received offers from top 10 universities in the world, including Imperial College of London and University College of London, while 1,018 graduates, more than 56% of the total, received offers from one of the Maple Leaf Global Top 100 universities.



OUR SCHOOL NETWORK IN CHINA



FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 August				2017 RMB'000
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	
Revenue	471,219	540,269	652,984	829,770	1,083,182
Cost of revenue	(268,751)	(305,148)	(354,277)	(428,029)	(543,331)
Gross profit	202,468	235,121	298,707	401,741	539,851
Profit before taxation	41,225	48,436	216,897	325,890	440,662
Profit for the year	33,182	40,036	205,546	307,564	413,723
Adjusted net profit (Note 1)	105,343	127,390	185,792	303,720	427,964
Basic earnings per share (RMB)	4.30	5.19	17.10	23.14	30.63

Profitability Margins	Year ended 31 August				2017
	2013	2014	2015	2016	
Gross profit margin	43.0%	43.5%	45.7%	48.4%	49.8%
Adjusted net profit margin	22.4%	23.6%	28.5%	36.6%	39.5%

Note 1

Adjusted net profit was derived from the profit for the year after adjusting for those items which are not indicative of the Group's operating performances, including (i) a government grant for the year ended 31 August 2017, (ii) a gain on disposal of short term investment for the year ended 31 August 2017, and (iii) share-based payments.

OPERATIONAL DATA

	At the end of school year				2016/2017
	2012/2013	2013/2014	2014/2015	2015/2016	
Total student enrolment	11,697	13,513	16,078	19,334	26,088
Total number of schools	28	33	40	46	60
Estimated total capacity for students	19,140	22,490	26,090	30,040	38,660
Overall utilisation rate	61.1%	60.1%	61.6%	64.4%	67.5%

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	At 31 August				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Non-current assets	1,402,329	1,437,006	1,660,364	1,941,628	2,672,680
Current assets	425,559	570,699	1,155,639	1,284,696	1,744,238
Current liabilities	1,263,199	962,382	982,121	1,183,564	1,566,413
Net current assets/(liabilities)	(837,640)	(391,683)	173,518	101,132	177,825
Total assets less current liabilities	564,689	1,045,323	1,833,882	2,042,760	2,850,505
Total equity	417,642	467,234	1,812,294	2,021,485	2,501,518
Non-current liabilities	147,047	578,089	21,588	21,275	348,987
Total equity and non-current liabilities	564,689	1,045,323	1,833,882	2,042,760	2,850,505

Selected Major Items	At 31 August				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Property, plant and equipment	1,177,025	1,218,897	1,397,751	1,505,847	1,814,438
Bank balances and cash	409,303	380,332	1,022,141	1,237,902	1,649,296
Bank borrowings	275,000	223,500	–	–	424,146
Deferred revenue	408,325	500,231	660,138	802,848	1,008,348

Liquidity	At 31 August				
	2013	2014	2015	2016	2017
Gearing ratio (Note 2)	65.8%	47.8%	–	–	17.0%

Note 2

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



FIVE-YEAR FINANCIAL SUMMARY

OPERATING CASH FLOWS

	Year ended 31 August				2017 RMB'000
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	
Net cash from operating activities	250,274	313,253	444,039	532,877	698,681

CAPITAL EXPENDITURES

	Year ended 31 August				2017 RMB'000
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	
Payments for property, plant and equipment	200,135	110,765	212,259	146,713	224,071

DIVIDEND PER SHARE

	Year ended 31 August				2017 HK\$ cents
	2013 HK\$ cents	2014 HK\$ cents	2015 HK\$ cents	2016 HK\$ cents	
Interim dividend	–	–	2.5	4.2	6.0
Final dividend	–	–	4.3	5.8	8.6
Special dividend	–	–	2.7	–	–
Total	–	–	9.5	10.0	14.6

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the board of directors (the “**Board**”) of China Maple Leaf Educational Systems Limited (the “**Company**”), I am pleased to present the annual report comprising the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 August 2017.

KEY ACHIEVEMENTS

During the year ended 31 August 2017, the Group entered into a collaboration agreement with Kwantlen Polytechnic University (“**KPU**”), a special purpose teaching university with campuses in Richmond, Surrey, Cloverdale and Langley, BC, Canada to open a bilingual high school on KPU’s Richmond campus leased from KPU in September 2017. Grade 12 graduates of Maple Leaf School – KPU will receive a BC diploma and a Chinese diploma.

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 Hainan Science and Education Group Co., Ltd* (the “**Target Company**”), owner of Hainan National Science Park Experimental School* (the “**Target School**”), for an aggregate consideration of RMB77,915,000 (equivalent to approximately HK\$88,190,000). The Target School is a K-12 boarding school located in Haikou City in Hainan Province which has over 3,300 students. The Acquisition has been satisfied by the allotment and issuance of an aggregate of 18,636,733 consideration shares by the Company under the general mandate at an issue price of HK\$4.732 per share, the fair value of which on the

acquisition date, 12 May 2017, was RMB116,620,000 (equivalent to approximately HK\$131,762,000). The Acquisition was completed on 12 May 2017. 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 was 52.4% owned by the Group and the Target Company became a consolidated affiliated entity of the Company.

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 SGD67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party which was fully settled by bank borrowings denominated in SGD. 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 international school in Singapore.

All our high schools with students enrolled in grade 10 to 12 have been accredited by AdvancED, the largest school accreditation agency in the United States of America. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes to our students. Our kindergartens provide a play-based, bilingual curriculum designed and developed by Maple Leaf Educational Systems Limited.

RESULTS AND DIVIDENDS

Our result performance for the year ended 31 August 2017 was encouraging. Total revenue reached RMB1,083.2 million, an increase of 30.5%. Profit for the year increased by 34.5% to RMB413.7 million whereas adjusted net profit for the year was RMB428.0 million, up 40.9%. The Board has resolved to recommend the payment of a final dividend of HK\$8.6 cents per share for the year ended 31 August 2017. Together with the interim dividend of HK\$6.0 cents per share, this will bring a total dividend of HK\$14.6 cents per share for the year ended 31 August 2017.



CHAIRMAN'S STATEMENT

BUSINESS HIGHLIGHTS

The Group operates all of its schools under the “Maple Leaf” brand. Each school year normally runs from the beginning of September each year to the middle of July in the next year. As at the end of the 2016/2017 school year, a total of 26,088 students were enrolled in 60 schools located at 16 cities in China and Canada, representing a growth of 34.9% compared with the student enrolment as at the end of the 2015/2016 school year. Revenue from tuition fees increased 26.3% to RMB877.6 million for the year ended 31 August 2017. According to our internal statistics, for the year ended 31 August 2017, the Group had 1,807 high school graduates, 46 of whom received offers from top 10 universities and more than 56% of whom received offers from the Maple Leaf Global Top 100 universities. Subsequent to the year ended 31 August 2017, the total number of students enrolled as at 15 October 2017 was 28,111 representing an increase of 36.5% compared with the student enrolment as at the same month in 2016. Furthermore, a total of 14 schools in 4 new cities, namely Yancheng, Huzhou, Weifang and Richmond, Canada, were added to the Group's school network, giving the network a total of 71 schools located at 18 cities in China and 2 high schools in Canada.

OUTLOOK

The overall target set in our fifth five-year plan for the 2015/2016 to the 2019/2020 school years (the “**Fifth Five-Year Plan**”) is to reach total student enrolment of more than 40,000 by the end of the 2019/2020 school year. This student enrolment target remains unchanged. We expect to achieve a target of running more than 70 schools in at least 20 cities in China by the end of the 2018/2019 school year and complete its national layout of school locations as set out in the Fifth Five-Year Plan.

Under our school development plan for the 2017/2018 and 2018/2019 school years, we will continue to open more middle and elementary schools in those second and third tier cities in China for providing feeders to our high schools located in nearby cities. In this regard, the asset light model by partnering with public or private entities remains our focused strategy. Moreover, we plan to set up preschools in each of the cities where it operates Maple Leaf schools. We will also explore some potential acquisition opportunities in China which will create a synergy with the Group and fit the educational philosophy of Maple Leaf. We will consider opening schools in first tier cities in China, including Beijing and Shenzhen within the next two school years.

Apart from the expansion plan in China, the Board is of the view that overseas expansion is part of our long term growth strategies. We can see the growing demand for bilingual English and Chinese education in belt and road (the “**Belt and Road**”) countries. The Group believes we have unique advantages in filling up the gap of demand for quality international K-12 education along the Belt and Road. Our students in China will benefit from a global presence of Maple Leaf brand schools.

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

SHARE AWARD SCHEME

The Board realizes the importance of the retention of and motivation for talent who plays important roles in the implementation of the Fifth Five-Year Plan. The Company has adopted, among other incentives, a restricted share award scheme (“**Share Award Scheme**”) under which share awards will be granted to the Directors, executive officers, senior management, employees and consultants of the Group aiming to attract and retain talent, recognize their contributions and align their interests with those of the Shareholders. In July 2015, the trustee of the Share Award Scheme purchased a total of 31,080,000 shares of the Company on the market. During the year ended 31 August 2017, a total of 5,570,896 Shares were granted from the Share Award Scheme of which 5,490,000 Shares were granted to approximately 292 employees of the Group and 80,896 Shares were granted to a consultant of the Company.

APPRECIATION

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

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

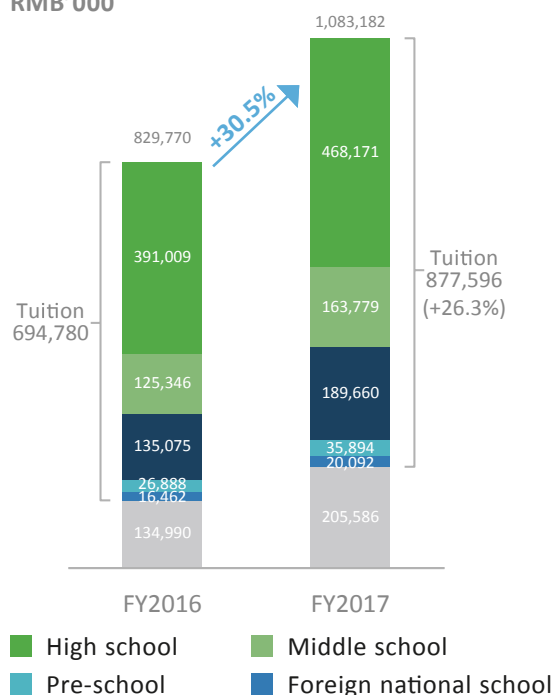
Hong Kong, 27 November 2017

FINANCIAL AND OPERATIONAL HIGHLIGHTS

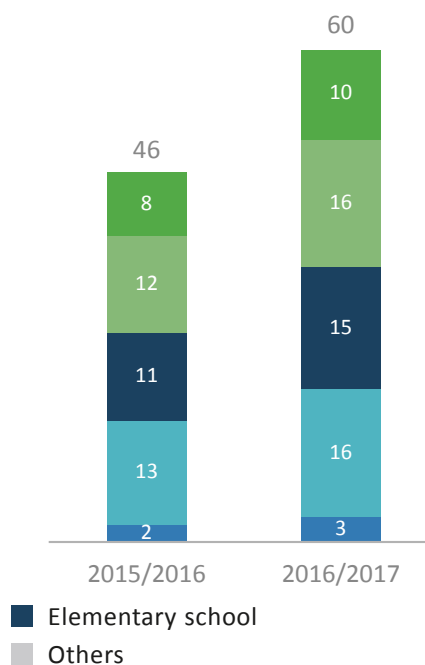
For the year ended 31 August 2017

REVENUE BY SEGMENT

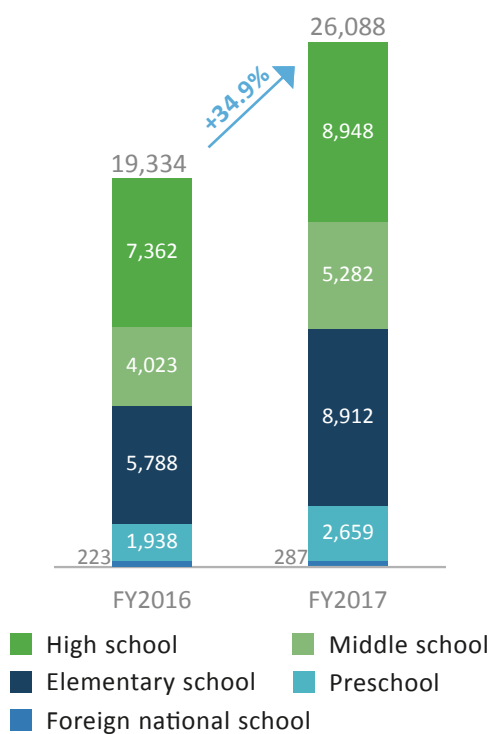
RMB'000



NUMBER OF SCHOOLS BY CATEGORY



STUDENT ENROLMENT



AVERAGE TUITION FEE PER STUDENT



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

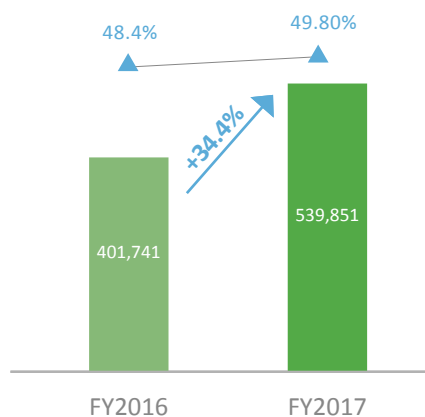


FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the year ended 31 August 2017

GROSS PROFIT AND MARGIN

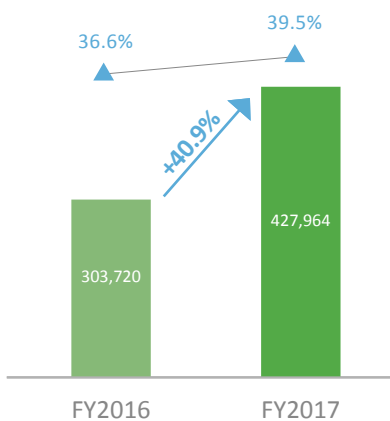
RMB'000



▲ Gross profit margin

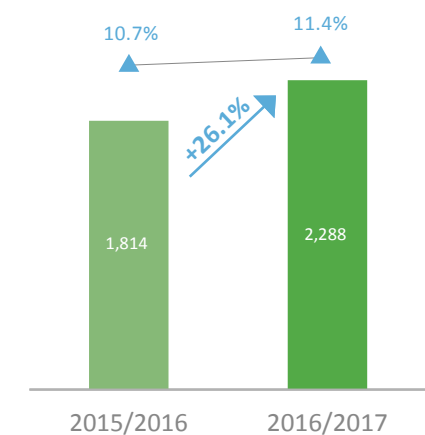
ADJUSTED NET PROFIT AND MARGIN

RMB'000



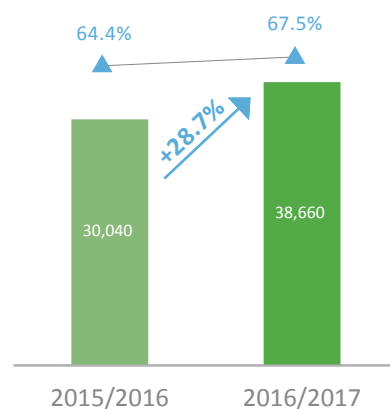
▲ Adjusted net profit margin

NUMBER OF TEACHERS



▲ Student-teacher ratio

SCHOOL CAPACITY AND UTILIZATION



▲ Utilization rate

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

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

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

Increasing Demand for Bilingual International Schools in China

Chinese parents generally believe that international schools in China that place a strong emphasis on teaching English better prepare their children for overseas education in English-speaking countries. They also realise that the influence of China on the global economy is becoming more and more important. Therefore, if their children receive a bilingual education in China, followed by university studies in an English-speaking country, their children will be better equipped with the language and cultural skills that can open the doors to better job opportunities both in China and internationally.

Although China's economy may not be growing as quickly as in previous years, the slower pace of the growth has not reduced the desire of middle class parents to send their children to bilingual international schools as they generally believe that a high quality education is a worthwhile investment in the future of their children.

Classification of International Schools in China

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

1. Foreign national schools are only allowed to provide preschool to grade 12 ("K-12") education to children of foreign nationals who have permits for residence in China. These schools are not allowed to enrol the children of Chinese nationals. The selection of curriculum is determined by the schools themselves. Foreign national schools may be established by foreign institutions, foreign invested enterprises established in China, branches of international organizations in China or foreign individuals residing in China.
2. Sino-foreign joint venture high schools or preschools are primarily intended for Chinese nationals and are also allowed to teach foreign nationals. They are formed through cooperation between Chinese educational institutions and foreign educational institutions, the latter of which can only own less than 50% of the Joint venture. These Sino-foreign joint ventures cannot own or operate middle and elementary schools.
3. Domestic Chinese-owned schools are permitted to provide a foreign curriculum in high school (grade 10 to 12) and are able to enrol children of both Chinese nationals and foreign nationals. However, these schools must provide the Chinese compulsory curriculum at middle school (grade 7 to 9) and elementary school (grade 1 to 6) levels. At preschool level for which there is no mandatory national curriculum.

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



MANAGEMENT DISCUSSION AND ANALYSIS

Our Market Position

With over 22 years' experience in operating international schools in China, the Group is one of the leading international school operators in China in terms of student enrolment, offering a high quality, bilingual K-12 education combining the merits of both Western and Chinese educational philosophies. Our high schools are certified by both the Ministry of Education of British Columbia, Canada ("BC") and the Chinese government, which allow our graduates to receive both a fully accredited BC diploma and a Chinese diploma. Furthermore, all of our high schools with students enrolled in grade 10-12 have been accredited by AdvancED, the largest school accreditation agency in the United States of America. Our middle and elementary schools provide Chinese compulsory education with English enhancement classes to our students. Our kindergartens provide a play-based, bilingual curriculum designed and developed by Maple Leaf Educational Systems Limited.

Our schools charge affordable and competitive tuition fees. We target mainly Chinese students from middle class families in China who intend to study at overseas universities. The Group operates all of its schools under the "Maple Leaf" brand, most of which are located in second and third tier cities in China (Shanghai being the exception as a first tier city).

BUSINESS REVIEW

The 2016/2017 school year was the second year of the Group's fifth five-year plan from 2015/2016 to 2019/2020 school years ("**Fifth Five-year Plan**"). At the end of the 2016/2017 school year, the Group's student enrolment was 26,088, beyond our expected target student enrolment set for the 2016/2017 school year under the Fifth Five-year Plan.

The Group first launched its Maple Leaf Global Top 100 University Guide ("**Maple Leaf Guide**") based on well recognized international rankings, such as QS, US News and MacLean's, in 2015/2016 school year. The Group believes that the Maple Leaf Guide is well suited for the majority of its students who aim for English-language universities. For the year ended 31 August 2017, the Group had 1,807 high school graduates, 46 of whom received offers from top 10 universities in the world, including Imperial College of London and University College of London, while 1018 graduates, more than 56% of the total, received offers from one of the Maple Leaf Global Top 100 universities.

Revenue

	Year ended 31 August			
	2017 RMB'000	% of Total	2016 RMB'000	% of Total
Tuition fees				
– High school	468,171	43.2	391,009	47.1
– Middle school	163,779	15.1	125,346	15.1
– Elementary school	189,660	17.5	135,075	16.3
– Preschool	35,894	3.3	26,888	3.2
– Foreign national school	20,092	1.9	16,462	2.0
	877,596	81.0	694,780	83.7
Textbooks	38,379	3.5	34,343	4.1
Summer and winter camps	54,330	5.1	38,882	4.7
Other educational services	45,718	4.2	36,083	4.4
Others	67,159	6.2	25,682	3.1
Total	1,083,182	100	829,770	100

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 August 2017, tuition fees remained a major revenue contributor. The proportion of high school tuition fees for the year ended 31 August 2017 decreased while the respective proportion of middle and elementary school tuition fees increased, largely due to the revenue contribution from the new openings of 4 middle and 4 elementary schools in the 2016/2017 school year.



Tuition fees generally include boarding fees, which are mainly paid in advance prior to the beginning of each school year and are initially recorded as deferred revenue. Tuition fees are recognized as revenue proportionately over the relevant school year. For the 2016/2017 school year, our high schools charged tuition fees ranging between RMB49,000 and RMB100,000. Tuition fees increased by RMB182.8 million or 26.3%, primarily due to an increase in student enrolment and an increase in the tuition fee rates charged for the new students enrolled in certain schools for the 2016/2017 school year.

Revenue from other increased by RMB41.5 million, primarily due to an increase in provision of school uniforms and an increase in providing other services.

Student Enrolment

	At the end of school year			
	2016/2017	% of Total	2015/2016	% of Total
High school	8,948	34.3	7,362	38.1
Middle school	5,282	20.2	4,023	20.8
Elementary school	8,912	34.2	5,788	29.9
Preschool	2,659	10.2	1,938	10.0
Foreign national school	287	1.1	223	1.2
Total number of students enrolled	26,088	100	19,334	100

The total number of students enrolled at the end of the 2016/2017 school year increased by 6,754, or 34.9% of which 13.3% growth came from the new schools opened in the 2016/2017 school year, while the remaining growth came from existing schools.

At the end of the 2016/2017 school year, the proportion of high school students decreased while the aggregate proportions of middle school and elementary school students increased largely due to the additions of 4 middle and 4 elementary schools in the 2016/2017 school year. This was in line with the Group's strategic objective of increasing the capacity of our middle schools as feeder schools for our high schools, improving the preparedness of high school entrants and reducing the need for recruitment outside the Maple Leaf system.



MANAGEMENT DISCUSSION AND ANALYSIS

Average Tuition Fee per Student

	For the year ended 31 August	
	2017	2016
Tuition fees (RMB'000)	877,596	694,780
Average student enrolment*	22,711	17,706
Average tuition fee per student# (RMB'000)	38.6	39.2

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

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

Average tuition fee per student slightly decreased by approximately 1.5%, primarily due to the impact of having a larger portion of our overall students in middle and elementary schools. Tuition income from Hainan Maple Leaf was only consolidated after acquisition in May 2017.

Our Schools

14 new schools were added to our school network for the year ended 31 August 2017, including a preschool in Tianjin, a middle school and an elementary school in Huai'an, Jiangsu Province, a foreign national school in Yiwu, Zhejiang Province, a middle school, an elementary school and a preschool in Pinghu, Zhejiang Province, a high school in Kamloops, BC, Canada, a middle school and an elementary school in Xi'an, Shaan'xi Province, and through acquisition, a high school, a middle school, an elementary school and a preschool in Haikou, Hainan Province.

As at 31 August 2017, the Group had 60 schools located in 16 cities located in China and Canada, namely Dalian, Wuhan, Tianjin, Chongqing, Zhenjiang, Luoyang, Ordos, Shanghai, Pingdingshan, Jingzhou, Yiwu, Huai'an, Pinghu, Xi'an, Haikou and Kamloops. The following table shows a summary of our schools by category as at the end of the two financial years:

	As at 31 August	
	2017	2016
High schools	10	8
Middle schools	16	12
Elementary schools	15	11
Preschools	16	13
Foreign national schools	3	2
Total	60	46

MANAGEMENT DISCUSSION AND ANALYSIS

Utilisation of Our Schools

Our utilisation rate is calculated as the number of students enrolled divided by the physical capacity for a given school. Except for our preschools and foreign national schools, all of our schools are generally boarding schools. For these boarding schools, the capacity for students is calculated based on the number of beds in their dormitories. For our foreign national schools, the capacity for students is calculated based on the number of desks in their classrooms. For our preschools, the capacity for students is calculated based on the number of beds used for naps in the schools. As a general rule, a new school takes some time to build its utilisation rate, especially at the high school level.

	As at the end of school year	
	2016/2017	2015/2016
Total number of students enrolled	26,088	19,334
Total capacity	38,660	30,040
Overall utilisation	67.5%	64.4%

While the total capacity for students increased primarily due to the addition of 14 new schools at the commencement of the 2016/2017 school year, the improvement in the overall utilisation rate was largely due to the improvement in the utilisation rate at certain school locations including Yiwu, Chongqing and Tianjin (Huayuan).

Our Teachers

	As at the end of school year	
	2016/2017	2015/2016
Total number of teachers	2,288	1,814

Our student-teacher ratio at below 11.4:1 remained relatively stable in the 2016/2017 school year compared to 2015/2016. The total number of teachers increased mainly because more PRC-certified teachers were recruited primarily for the new openings of 4 middle schools and 4 elementary schools in the 2016/2017 school year. As at the end of the 2016/2017 school year, we had approximately 356 BC-certified teachers compared to 350 at the end of the 2015/2016 school year.

In the 2016/2017 school year, there was no material increase in the salary rates of our teachers.



MANAGEMENT DISCUSSION AND ANALYSIS

RECENT BUSINESS UPDATE

Growth in Student Enrolment as at 15 October 2017

	As at 15 October 2017	2016	Change	Percentage Change
Total number of students enrolled	28,111	20,599	+7,512	+36.5%

The financial year of the Group ends on 31 August each year, while its school year normally runs from the beginning of September each year to the middle of July in the next year and each school year is divided into two terms. The number of students enrolled may vary from time to time in each school year. The above student enrolment numbers at 15 October represent unaudited internal statistics of the total number of students enrolled in the first term in the relevant school year for comparison purpose only.

According to prior experience, the Group expects that student enrolment will further increase in the second half of the 2017/2018 school year because some new students are generally admitted in the second term.

New Schools Opened in China and Canada in September 2017

As of 30 September 2017, the Group opened the following 14 new schools in China and Canada:

City	Number of schools	Category of schools	Estimated Student Capacity
Dalian, Liaoning Province	2	Middle school and elementary school	900
Xi'an, Shannxi Province	1	High school	200
Yancheng, Jiangsu Province	1	Elementary school	950
Liangping, Chongqing	3	Middle school, elementary school and Preschool	1,500
Huzhou, Zhejiang Province	3	Middle school, elementary school and Preschool	2,200
Weifang, Shandong Province	3	Middle school, elementary school and Preschool	2,100
Richmond, BC, Canada	1	High school	80

All these new schools were developed using an asset light model.

Acquisition in Singapore

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 SGD67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party which was fully settled by bank borrowings denominated in SGD. 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 international school in Singapore.

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition in Haikou, Hainan Province, PRC

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 Hainan Science and Education Group Co., Ltd* (the “**Target Company**”), owner of Hainan National Science Park Experimental School* (the “**Target School**”), 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, a private non-enterprise organisation wholly-owned by the Target Company located in Haikou City in Hainan Province. The Target School 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.

The Acquisition has been satisfied by the allotment and issuance of an aggregate of 18,636,733 consideration shares by the Company under the general mandate at an issue price of HK\$4.732 per share, the fair value of which on the acquisition date, 12 May 2017, was RMB116,620,000 (equivalent to approximately HK\$131,762,000). 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 was 52.4% owned by the Group and the Target Company became consolidated affiliated entity of the Company. The Acquisition was completed on 12 May 2017.

As mentioned above, the Group is principally engaged in the operation of international schools for K-12 education in the PRC. This Acquisition provides an opportunity for the Group to establish its strategic presence in a new province and expand its school network into southern China. The Target School has been operating in Hainan Province since 1994 and has established a strong reputation in the local community. 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. For details of the Acquisition, please refer to the Company’s announcements dated 5 February 2017, 24 February 2017, 17 April 2017 and 12 May 2017.

FUTURE DEVELOPMENT

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

The school year of 2017/2018 is the third year of the Group’s Fifth Five-year Plan. In order to achieve the target student enrolment of over 40,000 by the end of the 2019/2020 school year under the Fifth Five-year Plan, we will continue to work towards our strategic expansion from stand-alone schools to educational parks and from educational parks to school districts in China. We expect that the Group will be able to achieve a target of running more than 70 schools in at least 20 cities in China by the end of the 2018/2019 school year and complete its national layout of school locations as set out in the Fifth Five-Year Plan.

Expansion Strategies

The Group will continue to adopt multiple expansion strategies including but not limited to building more asset light schools, acquisitions of schools with synergy to the Group and an expansion of certain self-owned school campuses with high utilisation rates in both PRC and overseas. The enforcement of the amended Law for Promoting Private Education and the two-child policy creates a good opportunity for the vigorous growth of preschool education. The Group plans to set up preschools in each of the cities where it operates Maple Leaf schools.



MANAGEMENT DISCUSSION AND ANALYSIS

Expansion of Student Capacity for Self-owned School Campuses

Driven by strong student placement, the overall utilisation rate of each of the Wuhan, Tianjin (Teda) and Chongqing campuses was over 95% as at 30 September 2016. Accordingly, the Group completed before the commencement of the 2017/2018 school year the construction of additional dormitories and teaching buildings on each of the relevant campuses except Wuhan, in order to expand the corresponding capacity for students.

New Schools' Development under Pipeline in China

The Group is under negotiations with local government or other entities for opening more asset light schools in China. The Group is planning to open schools in more first tier cities, including Beijing and Shenzhen and is exploring some relevant potential opportunities.

Overseas Expansion

Overseas expansion is part of the Group's long-term growth strategy. We believe that a global presence of Maple Leaf brand schools will definitely help our student recruitment in China as Chinese parents recognise that Maple Leaf is able to offer a broader array of educational options for their children. In fact, the demand for bilingual English and Chinese education is growing not only in China but also in other regions such as North America, Australia and South-East Asia. Accordingly, the Group will explore opportunities for opening more Maple Leaf brand bilingual schools outside mainland China such as Canada and Hong Kong where there is a demand for blending the best of Western and Chinese cultures.

Following the release of the PRC Government's strategic paper "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road", and that of the Ministry of Education titled "Jointly Building the Belt and Road", the Group has completed a feasibility report on the establishment of Maple Leaf International Schools along the Belt and Road, and is now actively exploring this concept with relevant government agencies, think tanks and investment groups for the purpose of determining whether there are opportunities for forming partnerships. The Group believes that with its unique advantages in having both English and Chinese curricula, and both ESL and CSL programs, it is well suited to meet the demand for quality international K-12 education along the Belt and Road. Most attention in the sector to date has been focused on the cooperation in tertiary and vocational education.

MANAGEMENT DISCUSSION AND ANALYSIS

Project New Sprouts

Ensuring an adequate supply of quality school principals is a critical element for success in our expansion process. In this regard, the Group has maintained strategic cooperative collaboration with several well-known universities in China, including Beijing Normal University, Northeast Normal University, Central China Normal University, Beijing Foreign Studies University and Wuhan University, from which our schools recruit their master degree graduates with outstanding performance as our trainee principals. The first cohort has now completed the first semester of studies in the Maple Leaf philosophy and systems, as well as the second semester of on-the-job practicum. After finishing their third and fourth semesters, successful trainees will become principals of Maple Leaf middle and/or elementary schools.

MLES Future STEM Teacher Program

In collaboration with Thompson Rivers University (“TRU”) and Lakehead University in Canada, certain graduates from our high schools who meet the university requirements will be trained to earn their university degrees and their BC teaching certificates. These graduates will be recruited and compensated by our high schools as BC-certified teachers once they have obtained the required qualifications. This will provide an additional source of recruitment of BC-certified teachers to meet the future demand from our high schools.

Other Talent Strategies

Two-year in-service training is an important platform for our executives’ continuous development. The Maple Leaf “1+5” leadership team furnishes new Maple Leaf schools with our new model and new experience for leadership preparation and operation. The Royal Roads University Educational Management and Leadership Master’s program enables executive candidates to embark on management careers and take on greater responsibilities in Maple Leaf in the future.

Conclusion

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



MANAGEMENT DISCUSSION AND ANALYSIS

OTHER UPDATES

Latest Development of the Law for Promoting Private Education

The New Law for Promoting Private Education provides system assurance for the innovative development of private education

On 7 November 2016, the Decision on Amending the Law for Promoting Private Education of the PRC was considered and approved by the 24th meeting of the Standing Committee of the Twelfth Session of the Standing Committee of the National People's Congress (the "**New Law**"), which became effective on 1 September 2017. On 5 January 2017, the Implementation Rules for Classified Registration of Private Schools (the "**Registration Rules**") was introduced by five ministries including the Ministry of Education and the Implementation Rules for the Supervision and Management of Profit Private Schools (the "**Supervision Rules**") was promulgated, while on 8 January 2017, the Several Opinions on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (Guo Fa No. [2016]81) (the "**Several Opinions**") was issued by the State Council. Since May 2017, the draft implementation rules were issued by local provinces. The New Law and its supporting rules brought a new pattern for the classified administration, differential support and characteristic development of for-profit and non-profit private schools in the PRC. The national and local government's draft implementation rules recognise the social contribution of private schools, and if a parcel of land is allocated to a non-profit school, the corporate income taxes on its non-profit income are exempted on the condition of obtaining local tax exemption qualification. With respect to for-profit schools, the draft implementation rules clarify the ownership of assets, open up financing alternative, advocate the operation of schools as market entities and enhance the autonomy of running a school in terms of enrolment, fees, courses and so on to stimulate and boost the rapid expansion and development of for-profit private schools. The state further decentralized authority to promote the PPP education model. The New Law fundamentally solves the problems of unclear asset ownership and attribution and specific implementation of support policies, providing systemic assurance for the development of private schools.

The New Law will help the scale development of Maple Leaf Education

The middle and elementary schools under Maple Leaf Education will choose to become non-profit schools in accordance with the New Law, which agrees in principle with the current nature of these schools in that they "do not require reasonable return", so their operation will not be affected by the implementation of the New Law. On the contrary, the system innovation under the New Law in respect of land, tax and encourage of PPP education model coincides with the asset-light development approach of Maple Leaf Education and will accelerate its pace of asset-light development.

After implementation of the New Law, the high schools and preschools of Maple Leaf will have greater autonomy in enrolment, tuition fees and curriculum set up according to the law, the mode and systemic advantages of Maple Leaf will be more prominent, its influence improved and a corresponding flexibility in setting tuition fees will be increased.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

Total revenue of the Group increased by RMB253.4 million, or 30.5%, from RMB829.8 million for the financial year ended 31 August 2016 to RMB1,083.2 million for the financial year ended 31 August 2017. The increase was primarily due to an increase in revenue from tuition fees by RMB182.8 million and an increase in revenue from others by RMB70.6 million.

Revenue from tuition fees increased by 26.3% from RMB694.8 million for the financial year ended 31 August 2016 to RMB877.6 million for the financial year ended 31 August 2017, primarily due to an increase in student enrolment by 6,754 and an increase in tuition fee rates for the new students enrolled in certain schools. Revenue from others increased by 161.5% from RMB25.7 million for the financial year ended 31 August 2016 to RMB67.2 million for the financial year ended 31 August 2017, primarily due to an increase in provision of school uniforms and an increase in providing other services.

Cost of Revenue

Our cost of revenue consists primarily of staff costs, depreciation and amortisation, other training expenses and other costs. Staff costs consist of salaries and benefits paid to our teachers and other teaching staff. Depreciation and amortisation relate to the depreciation of property, plant and equipment and the amortisation of books for lease. Other training expenses relate to travel expenses and other expenses incurred in connection with our summer and winter camps overseas. Other costs include our daily expenses of operating our schools and facilities, including the utility costs, the cost of furniture at our schools, the cost of maintaining our facilities, the cost of provision of school uniforms and the cost of inventories sold by self-operated supermarkets in our schools.

Cost of revenue increased by RMB115.3 million, or 26.9%, from RMB428.0 million for the financial year ended 31 August 2016 to RMB543.3 million for the financial year ended 31 August 2017. The increase was largely due to an increase in teaching staff costs by RMB69.9 million and an increase in other costs by RMB34.9 million.

Teaching staff costs increased by 26.1% from RMB268.0 million for the financial year ended 31 August 2016 to RMB337.9 million for the financial year ended 31 August 2017, primarily due to an increase in the number of teachers from 1,814 as at the end of the 2015/2016 school year to 2,288 as at the end of the 2016/2017 school year and an increase in share-based payments resulting from the grant of share awards to certain teaching staff during the year ended 31 August 2017. Other costs increased from RMB82.8 million for the financial year ended 31 August 2016 to RMB117.7 million for the financial year ended 31 August 2017, primarily attributable to an increase in the cost of provision of school uniforms.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

As a result of the foregoing, gross profit increased by 34.4% from RMB401.7 million for the financial year ended 31 August 2016 to RMB539.9 million for the financial year ended 31 August 2017. Our gross margin increased from 48.4% for the financial year ended 31 August 2016 to 49.8% for the financial year ended 31 August 2017 largely due to the increased utilisation of certain schools resulting from an increase in student enrolment and an increase in tuition fee rates of certain schools.

Investment and Other Income

Investment and other income consist mainly of interest income from pledged bank deposits and term deposits, rental income from investment properties and government grant. Investment and other income increased by 38.9% from RMB32.4 million for the financial year ended 31 August 2016 to RMB45.0 million for the financial year ended 31 August 2017. The increase was primarily attributable to an increase in interest income from bank deposits by RMB6.4 million primarily due to a better utilisation of cash surplus and an increase in rental income from investment properties in Singapore by RMB11.4 million.

Other Gains and Losses

Other gains and losses consist primarily of net foreign exchange gain, gain on disposal of short term investments and reversal of other payables. Other gains and losses increased by 19.4% from a gain of RMB40.8 million for the financial year ended 31 August 2016 to a gain of RMB48.7 million for the financial year ended 31 August 2017. The increase was primarily attributable to the combined effects of i) a decrease in net foreign exchange gain and a gain on disposal of short term investment by RMB23.6 million, ii) an increase in a gain on the extinguishment of other payables by RMB20.0 million, and iii) a decrease in a loss on disposal of property, plant and equipment by RMB8.9 million.

Marketing Expenses

The majority of marketing expenses comprises of commercials, and expenses for producing, printing and distributing advertising and promotional materials. Marketing expenses also include salaries and benefits for personnel engaged in sales and marketing activities. Marketing expenses increased by 13.5% from RMB26.0 million for the financial year ended 31 August 2016 to RMB29.5 million for the financial year ended 31 August 2017, mainly due to an increase in expenses for producing, printing and distributing advertising and promotional materials. However, marketing expenses as a percentage of total revenue decreased from 3.1% for the year ended 31 August 2016 to 2.7% for the year ended 31 August 2017.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, share-based payments and certain professional expenses. Administrative expenses increased by 26.3% from RMB123.0 million for the financial year ended 31 August 2016 to RMB155.4 million for the financial year ended 31 August 2017. The increase was primarily attributable to an increase in staff salaries and related costs primarily due to the fact that the Group hired additional management to support the Group's expansion during the year ended 31 August 2017. However, administrative expenses as a percentage of total revenue decreased from 14.8% for the year ended 31 August 2016 to 14.3% for the year ended 31 August 2017, as a result of the Group's effective cost control measures.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and banking facilities. Finance costs increased from zero for the financial year ended 31 August 2016 to RMB8.0 million for the financial year ended 31 August 2017 as new bank borrowings were raised during the year ended 31 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before Taxation

As a result of the foregoing, the Group recorded a profit before taxation of RMB440.7 million for the financial year ended 31 August 2017 and RMB325.9 million for the financial year ended 31 August 2016. Profit before taxation as a percentage of revenue of the Group was 40.7% for the financial year ended 31 August 2017, compared to 39.3% for the financial year ended 31 August 2016.

Taxation

Income tax expense of the Group increased from RMB18.3 million for the financial year ended 31 August 2016 to RMB26.9 million for the financial year ended 31 August 2017, mainly due to an increase in assessable profit of certain subsidiaries of the Company. The effective tax rate of the Group for the financial years ended 31 August 2017 and 2016 was 6.1% and 5.6%, respectively, which remained relatively stable.

Profit for the Year

As a result of the above factors, profit for the year of the Group increased by 34.5% from RMB307.6 million for the financial year ended 31 August 2016 to RMB413.7 million for the financial year ended 31 August 2017.

Adjusted Net Profit

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

	Year ended 31 August	
	2017 RMB'000	2016 RMB'000
Profit for the year	413,723	307,564
Add:		
Gain on disposal of short term investments	(3,497)	(14,301)
Government grant	(5,906)	(8,032)
Share-based payments	23,644	18,489
Adjusted net profit	427,964	303,720

Adjusted net profit margin increase from 36.6% for the year ended 31 August 2016 to 39.5% for the year ended 31 August 2017, primarily due to the combined effects of the increase in gross profit margin, the decrease in administrative expenses as a percentage of revenue as mentioned above and the increase in finance cost.

Capital Expenditures

For the year ended 31 August 2017, the Group paid RMB224.1 million for property, plant and equipment primarily related to the buildings for certain schools in Tianjin (Teda), Chongqing and Pingdingshan. For the year ended 31 August 2016, the Group paid RMB146.7 million for property, plant and equipment primarily related to the buildings of schools in Pinghu, Zhejiang Province.



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital Structure

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

	Year ended 31 August	
	2017 RMB'000	2016 RMB'000
Net cash from operating activities	698,681	532,877
Net cash (used in) from investing activities	(563,893)	33,208
Net cash from (used in) financing activities	282,049	(365,817)
Net increase in cash and cash equivalents	416,837	200,268
Cash and cash equivalents at 1 September	1,237,902	1,022,141
Effect of foreign exchange rate changes	(5,443)	15,493
Cash and cash equivalents at 31 August	1,649,296	1,237,902

As at 31 August 2017, the Group's bank balances and cash amounted to RMB1,649.3 million, of which the majority were denominated in RMB. During the financial year ended 31 August 2017, the Group obtained new bank loans amounting to RMB424,146,000 (31 August 2016: nil) which are secured by pledged bank deposits of RMB245,000,000 of a group company, mortgaged over investment property of RMB326,842,000, existing and future legal assignment of sales proceeds, rental proceeds, rental deposits and other rights of Maple Leaf Hillside. The loans carry interest at variable market rates from 1.14% to 2.77% per annum.

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

Gearing Ratio

The gearing ratio of the Group was calculated as total borrowings divided by total equity as at the end of the relevant financial year. As at 31 August 2017, the group's gearing ratio was 17.0%. As at 31 August 2016, the Group did not have any bank borrowings and hence the corresponding gearing ratio was zero.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in foreign currencies such as CAD, HK\$, USD and SGD. As at 31 August 2017, certain bank balances were denominated in CAD, HK\$, USD and SGD. The Group did not enter into any financial instrument for hedging purposes as it is expected that its foreign exchange exposure will not be material.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin’s application was dismissed. The case now proceeds to the main trial stage.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 31 August 2017, the Company 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 31 August 2017, the Group pledged a total bank deposits of RMB245.0 million and the investment properties acquired in Singapore to certain licensed banks for certain banking facilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed above, during the year ended 31 August 2017, the Group did not have any material acquisition and disposal of subsidiaries.

SIGNIFICANT INVESTMENT HELD

As at 31 August 2017, no significant investment was held by the Group.

EMPLOYEE BENEFITS

As at 31 August 2017, the Group had 4,513 (2016: 3,684) full-time employees. The Group provides external and internal training programs to its employees. The Group participates in various employee benefit plans, including provident fund, housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. The Company also has a pre-IPO share option scheme, a post-IPO share option scheme and a share award scheme set up for its employees and other eligible persons. Salaries and other benefits of the Groups’ employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, results and performance of the Group and relevant market conditions. Total employee remuneration (excluding directors’ remuneration) for the year ended 31 August 2017 amounted to RMB442.1 million (2016: RMB349.2 million).



DIRECTORS AND SENIOR MANAGEMENT

OUR BOARD OF DIRECTORS

Name	Age	Position/Title	Date of Appointment
Shu Liang Sherman Jen	63	Executive Director, Chairman of the Board, CEO and President of China Operations	June 2007
Jingxia Zhang	60	Executive Director, Senior Vice President and CFO	March 2008
James William Beeke	67	Executive Director, Vice President and Superintendent of Global Education (other than PRC)	April 2014 ⁽²⁾
Howard Robert Balloch	66	Non-executive Director and Vice Chairman of the Board	March 2008
Peter Humphrey Owen	70	Independent Non-executive Director	June 2014 ⁽¹⁾
Xiaodan Mei	53	Independent Non-executive Director	August 2017
Lap Tat Arthur Wong	57	Independent Non-executive Director	June 2014 ⁽¹⁾

Notes:

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

Executive Directors



Shu Liang Sherman Jen ("Mr. Jen"), aged 63, is our controlling shareholder and founder. Mr. Jen was appointed as a director in June 2007 and was re-designated as an executive director and was appointed as chairman of the nomination and corporate governance committee of our Company, both taking effect on 28 November 2014, and is primarily responsible for the overall business and strategy of our Group, including the introduction of the dual diploma school model. He has been the chairman of the board of directors, chief executive officer ("CEO") of our Company since 2007, and co-chief executive officer ("Co-CEO") since March 2014. Mr. Jen was re-designated as CEO on 15 August 2016 following the resignation of the other Co-CEO and was appointed as the president of China operations on 1 September 2016.

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jen has more than 20 years of experience in the education industry. In 2004, he was selected as one of the most influential figures in the private education industry in China by sohu.com. In 2005, he received the Outstanding Chinese Entrepreneur Award from the Overseas Chinese Affairs Office of the State Council of the PRC. In 2011, he was honored as one of the “Top Ten Figures of our Time” by a group of media organizations and industry associations. In 2013, he received the Governor General’s Medallion from Mr. David Johnston, Governor General of Canada, for his contributions to international education. In October 2014, he received the Chinese Government Friendship Award from the PRC Premier Mr. Li Keqiang and two Vice Premiers, which is the highest honor awarded by the Chinese government to foreign experts for their outstanding contributions to the modernized development of the PRC. Mr. Jen has not held any directorship roles in any other listed companies in the last three years. Mr. Jen is not a resident of Canada for Canadian taxation purposes.

Mr. Jen received his Bachelor of Arts degree in English Language and Arts from Beijing Foreign Languages University, PRC in May 1978, his Master of Business Administration by distance learning from the University of Wales, New Port, United Kingdom in September 2005 and an Honorary Doctor of Laws degree (Hon. LL.D) from Royal Roads University in BC, Canada in June 2013.



Jingxia Zhang (“Ms. Zhang”), aged 60, is the senior vice president and was re-designated from co-chief financial officer to chief financial officer of our Company with effect from 16 June 2015. Ms. Zhang was appointed as a director in March 2008 and was re-designated as an executive director taking effect on 28 November 2014. Ms. Zhang joined the Group in April 1995 and is primarily responsible for the overall management and financial operations of the schools in our Group. Ms. Zhang is one of the key members of the management team of the Company and has made important contributions to the Group.

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

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



DIRECTORS AND SENIOR MANAGEMENT



James William Beeke (“Mr. Beeke”), aged 67, is our director, vice president and superintendent of global education (other than PRC) of the Group. He was appointed as a director in April 2014 and was re-designated as an executive director taking effect on 28 November 2014. Mr. Beeke previously served as the vice chairman of the Board and the superintendent of the BC Program of the Group from 2005 to 2009 and again from 2014 to 2016. Mr. Beeke was appointed as the superintendent of global education (other than PRC) of the Group and ceased to be the superintendent of BC program of the Group with effect from 15 August 2016. Mr. Beeke is primarily responsible for overseeing the development of the Group’s educational programs outside of the PRC.

Prior to joining our Group, Mr. Beeke was employed by the BC provincial government as deputy inspector, and later, inspector for the Ministry of Education of the BC provincial government from 1996 to 1998 and from 1998 to 2005, respectively. As inspector, he was responsible for the inspection, certification and funding of all independent schools in the province, and developed and directed BC’s Offshore School Certification Program. Since September 2009, he has been president of Signum International Educational Services, Inc., a company which provides educational consultant services to schools in Canada and internationally, where he was responsible for assisting schools with board governance and strategic development planning, performing school reviews, conducting principal evaluations and providing analysis and comparisons of provincial curricula. Mr. Beeke has not held any directorship roles in any other listed companies in the last three years.

Mr. Beeke received his Bachelor of Arts degree and Master of Arts degree from Western Michigan University in Michigan, United States, in December 1971 and August 1973, respectively. He received the Certificate of Qualification from the British Columbia Teachers in June 1991, Certificate of Recognition from the British Columbia Minister of Education in 1991, Certificates of Recognition from the Chinese Consulate (Vancouver, Canada) and from British Columbia Ministry of Education in June 2005 and Certificate of Honorary Award from Liaoning Provincial Government of PRC in 2006.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director



Howard Robert Balloch (“Mr. Balloch”), aged 66, was appointed as a director in March 2008 and was re-designated as a non-executive director and was appointed as a member of the remuneration committee, both taking effect on 28 November 2014. Mr Balloch is responsible for supervising the overall management and strategic planning of our Group. He was appointed as vice chairman of the Board on 3 January 2017.

Mr. Balloch is a retired Canadian diplomat. Prior to joining our Group, he served as Canadian Ambassador to the PRC and Mongolia from April 1996 to July 2001, and to the Democratic People’s Republic of Korea from March 2000 to July 2001. Subsequently, he served as the president and chief executive officer of the Canada China Business Council, a private, non-profit business association that facilitates and promotes trade and investment between Canada and China, from 2001 to 2006, and subsequently as its vice chairman until September 2016. Mr. Balloch founded and served as president and chairman of The Balloch Group from 2001 to 2011, a boutique investment bank that advised domestic and multinational corporations in China. The Balloch Group was acquired in 2011 by Canaccord Genuity Group Inc., a Canadian company listed on both the Toronto Stock Exchange (“**TSX**”) (stock code: CF) and the London Stock Exchange (stock code: CF). Mr. Balloch served as Chairman of Canaccord Genuity Asia, the Asian subsidiary of Canaccord Genuity Group Inc. from 2011 to 2013. From January 2002 to January 2015, he served as a director of Ivanhoe Energy Inc., a company involved in heavy oil exploration and production technology and listed on the TSX (stock code: IE) and NASDAQ (stock code: IVAN) until it was delisted in March 2015. Mr. Balloch has also served as the director of several companies outside the Group. He has been a director of Methanex Corp. since December 2004, a company listed on both the TSX (stock code: MX) and NASDAQ (stock code: MEOH), which is engaged in the supply, distribution and marketing of methanol to major international markets. He has also served as a director of Sinopec Canada, a non-public subsidiary of Sinopec International Petroleum Exploration and Production Corporation, since April 2014.

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



DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors



Peter Humphrey Owen (“Mr. Owen”), aged 70, was appointed as an independent non-executive director in June 2014, and was appointed as a chairman of our remuneration committee and a member of our audit committee and nomination and corporate governance committee, all taking effect on 28 November 2014. Mr. Owen is primarily responsible for supervising and providing independent judgment to our Board.

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

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



Xiaodan Mei (“Mr. Mei”), aged 53, was appointed as an independent non-executive director in August 2017, and was appointed as a member of audit committee, remuneration committee and nomination and corporate governance committee. Mr. Mei is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Mei is the founder and president of BIT Congress Inc., a PRC company founded in 2003 and headquartered in Dalian which is principally engaged in the provision of conference organising and event management services. Prior to founding of BIT Congress Inc., Mr. Mei was employed as a scientist at Proscript, which was founded by Professor Dr. Tom Maniatis at Harvard University. From 1997 to 2000, he was employed as a scientist at Biogen-Idec and the Senior Scientist at Anadys. Mr. Mei has not held any directorship roles in any other listed companies in the last three years.

Mr. Mei completed his bachelor degree in China Pharmaceutical University majoring in pharmaceutical chemistry in 1984. Mr. Mei received his master degree from Shanghai Institute of Pharmaceutical Industry in 1989. In 1996, Mr. Mei obtained his Ph.D. degree in Biochemistry and Organic Chemistry from the Department of Chemistry and Biochemistry at the University of Oklahoma.

DIRECTORS AND SENIOR MANAGEMENT



Lap Tat Arthur Wong (“Mr. Wong”), aged 57, was appointed as an independent non-executive director in June 2014, and was appointed as the chairman of the audit committee, both taking effect on 28 November 2014. Mr. Wong is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, from 1982 to 2008, Mr. Wong held various positions in Deloitte Touche Tohmatsu in Hong Kong, San Jose and Beijing, with the latest position as a partner in the Beijing office. He subsequently served as the CFO in the following companies: Asia New Energy Holdings Pte. Ltd, a manufacturer of fertilizer, chemicals and new energy products, from 2008 to 2009; Nobao Renewable Energy Holding Ltd., a renewable energy company, from March 2010 to November 2010; GreenTree Inns Hotel Management Group, Inc., an economy hotel chain from 2011 to 2012; and Beijing Radio Cultural Transmission Company Limited, a music production and music data management service company, since January 2013.

Mr. Wong previously served as an independent non-executive director at Besunyen Holdings Co Ltd., a herbal tea processing and marketing company listed on the Stock Exchange (stock code: 00926) from July 2010 to April 2014, an independent director of YOU On Demand Holdings Inc, a media company listed on NASDAQ (stock code: YOD) from January 2014 to April 2016, an independent director of Xueda Education Group, a company listed on NYSE (stock code: XUE) from March 2015 to June 2016 and an independent non-executive director and the chairperson of the audit committee of the following listed companies: VisionChina Media, Inc., an out-of-home advertising network company listed on NASDAQ (but this company has been delisted since April 2017) (stock code: VISN) from December 2011 to January 2017. Petro-king Oilfield Services Ltd., a consultancy and oilfield project services company listed on the Stock Exchange (stock code: 02178) from February 2013 to May 2017 and Sky Solar Holdings, Ltd., a company listed on NASDAQ (stock code: SKYS) from November 2014 to May 2017. He currently serves as an independent non-executive director and the chairperson of the audit committee of the following listed companies: China Automotive Systems, Inc., an automotive systems and components manufacturer listed on NASDAQ (stock code: CAAS) since May 2012 and Daqo New Energy Corp., a polysilicon manufacturer listed on NYSE (stock code: DQ) since December 2012.

Mr. Wong received a Higher Diploma in Accountancy from The Hong Kong Polytechnic University in November 1982 and a Bachelor of Science degree in Applied Economics from University of San Francisco in December 1988. He became an associate and subsequently a fellow of the Hong Kong Institute of Certified Public Accountants in 1985 and 1995, respectively. He became a fellow of the Association of Chartered Certified Accountants in 1990 and a member of the American Institute of Certified Public Accountants in 1992.



DIRECTORS AND SENIOR MANAGEMENT

OUR SENIOR MANAGEMENT

Name	Age	Position
Shu Liang Sherman Jen	63	CEO and President of China Operations
Jingxia Zhang	60	Senior Vice President and CFO
James William Beeke	67	Vice President and Superintendent of Global Education (other than PRC)
Guijie Fan	50	Vice President of China Operations and Chief Legal Officer (PRC)
Robert William Gardner	60	Vice President of China Operations and the Superintendent of BC Program (PRC)
Linsheng Chen	58	Vice President and the Chinese Program Superintendent
Xiaofeng Cao	44	Vice President

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



Guijie Fan (“Ms. Fan”), aged 50, has been appointed as vice president of China operations of the Company with effect from 1 September 2016. Ms. Fan is primarily responsible for human resources and legal affairs of the Company’s schools in the PRC. Ms. Fan is a PRC qualified lawyer. She has been the legal adviser to Dalian Maple Leaf Educational Group Co., Ltd. since 2011. In June 2014, she established the Group’s legal department and served as its first director. Ms. Fan was appointed as chief legal officer in the PRC of the Company in November 2015 and was responsible for drawing up and implementing policies regarding legal governance and intellectual property protection for the Company’s schools in the PRC.

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

DIRECTORS AND SENIOR MANAGEMENT



Mr. Robert William Gardner (“Mr. Gardner”), aged 60, has been appointed as vice president of China operations of the Company with effect from 1 September 2016. Mr. Gardner is primarily responsible for the administration and inspection of the Group’s British Columbia program (“**BC program**”) in the PRC, teaching evaluation and staff recruitment after taking up the role of the superintendent of BC program in the PRC with effect from 15 August 2016.

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

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



Linsheng Chen (“Mr. Chen”), aged 58, has been the vice president and Chinese program superintendent of our Group since September 2012. He is primarily responsible for management of the Chinese curriculum and evaluation of our schools. Mr. Chen has been supervising the content and quality of the Chinese curriculum and conducting periodic reviews of the operation of our schools.

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

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



DIRECTORS AND SENIOR MANAGEMENT



Xiaofeng Cao (“Mr. Cao”), aged 44, joined the Group as vice president in March 2015 and is primarily responsible for school construction projects and general affairs of school campus. Mr. Cao has over 10 years’ experience in senior management. Prior to joining the Group, Mr. Cao was a vice president of Etonkids Educational Group.

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

COMPANY SECRETARY



Ms. Chan Wai Ling (“**Ms. Chan**”), FCIS, FSC (PE), was appointed as our company secretary on 23 January 2017. She is a director of Corporate Services of Tricor Services Limited and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She has more than 20 years of experience in the corporate secretarial field. Ms. Chan is currently the joint company secretary of IMAX China Holding Inc. (Stock Code: 1970), SITC International Holdings Company Limited (Stock Code: 1308) and Razer Inc. (Stock Code: 1337) as well as the company secretary of China Polymetallic Mining Limited (Stock Code: 2133), Sun Art Retail Group Limited (Stock Code: 6808) and TCC International Holdings Limited (Stock Code: 1136, delisted on 20 November 2017).

REPORT OF THE DIRECTORS

The board of directors (“**Directors**”) of China Maple Leaf Educational Systems Limited present their report together with the audited financial statements of the Group for the year ended 31 August 2017.

GENERAL INFORMATION

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

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

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is an international school operator which offers a bilingual K-12 education primarily in the PRC under the “Maple Leaf” brand. The core component of our business is a dual-curriculum and dual-diploma high school education that enables our high school graduates to receive a diploma fully accredited by BC, Canada and a Chinese diploma. A list of the Company’s subsidiaries, together with their places of incorporation and principal activities, is set out in note 37 to the financial statements.

BUSINESS REVIEW

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

Principal Risks and Uncertainties

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

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



REPORT OF THE DIRECTORS

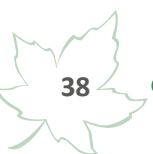
- Our business depends on our ability to recruit and retain dedicated and capable teachers and other school personnel;
- Ability to obtain or renew the necessary licenses or government approvals for our business and operations; and
- Changes to regulatory and operating conditions in the education industry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

Some of the above risks and uncertainties are beyond the Group's control and should any of these occur, the Group's business, financial position and results of operation may be materially adversely affected.

In addition, the Group also faces various market risks. In particular, the Group is exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of the Group's business. In order to meet these challenges, the Group has established the following structures and measures to manage the Group's risks:

- the Board is responsible and has general powers over the management and operation of our schools, and is in charge of the overall risk control of the Group. Any significant business decision involving material risks, such as decisions to expand into new geographic regions or to raise tuitions, are reviewed, analyzed and approved at the board level to ensure a thorough examination of the associated risks at the Group's highest corporate governance body;
- the Group maintain insurance coverage which we believe is in line with the customary practice in the PRC education industry. The Group also adopts health and safety measures on our campuses to safeguard our students' wellbeing; and
- the Group has made arrangements with banks to ensure that the Group is able to obtain credits to support its business operation and expansion.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares. As required under "Review of Disclosure in Issuer's annual reports to monitor the compliance report 2016" issued by the Stock Exchange, the Company is expected to discuss specifically how the major risk areas would affect the business operations, the potential financial impact, and whether they had undertaken any measure to manage risk areas.



Environmental Policies and Performance

The Group realizes the importance of environmental protection in pursuing a long-term sustainability. In particular, the Group promotes energy saving and recycling of materials in our headquarters and schools such as turning off idle lightings, air-conditioning and electrical appliances. The Group also encourages the use of recycled papers and both sides of papers for printing and copying. The Group is committed to improving environmental sustainability and will closely monitor the performance. These policies were supported by our staff and were implemented effectively. During the financial year ended 31 August 2017, we had not been subject to any fines or other penalties due to any non-compliance with health, safety or environmental regulations. For details, please refer to our separate Environmental, Social and Governance (“ESG”) Report.

Compliance with the Relevant Laws and Regulations

During the year ended 31 August 2017, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

Relationships with employees, customers and suppliers

(a) Employees

The Group believes that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. Please refer to the section headed “Management Discussion and Analysis – Employees Benefits” for further details. The Group regularly reviews the remuneration package of the employees and makes necessary adjustments to confirm to the market standard. The Group is also passionately committed to developing the staff and provides the employees with rewarding career paths and friendly working environment.

(b) Customers

The Group strives to achieve corporate sustainability in providing quality services to our customers. To ensure continuous improvement of the quality of services, the Group regularly reviews its curriculum and teaching material in order to ensure the quality of education delivered by the Group meets the standard set by various educational institutions around the world. The Group believes that maintaining a high admission rate to top-ranked universities can help strengthen its market competitiveness in the industry. For the year ended 31 August 2017, the Group had 1,807 high school graduates, 46 of whom received offers from top 10 universities in the world, while 1,018 graduates, more than 56% of the total, received offers from one of the top 100 universities according to the Maple Leaf’s World Top 100 University Rankings (which was launched by the Group in 2015/2016 school year).

(c) Suppliers

The Group understands the importance to work closely with our suppliers to ensure the sustainability of our business. The Group has established long standing relationships with our suppliers and to ensure they share our commitment to quality and ethics.

Save for disclosed in this Report, there were no material and significant dispute between the Group and its employees, customers and/or suppliers during the financial year ended 31 August 2017.



REPORT OF THE DIRECTORS

FINANCIAL RESULTS

The results of the Group for the year ended 31 August 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this report.

DIVIDENDS

During the year ended 31 August 2017, the Company paid a final dividend of HK\$5.8 cents per Share for the year ended 31 August 2016 and an interim dividend of HK\$6.0 cents per Share for the six months ended 28 February 2017.

The Board has resolved to recommend the payment of a final dividend of HK\$8.6 cents per Share for the year ended 31 August 2017, subject to the approval by the shareholders (“**Shareholders**”) of the Company at the forthcoming annual general meeting (“**AGM**”) to be held on 23 January 2018. Together with the interim dividend paid, this made up a total dividend of HK\$14.6 cents per Share for the year ended 31 August 2017.

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

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of investment properties as at 31 August 2017 are set out in note 15 to the financial statements. The fair value of the investment properties at 31 August 2017 was RMB363.6 million. The book value of the investment properties held by the Group as at 31 August 2017 as included in the financial statements in this report was RMB337.8 million.

As at 31 August 2017, the properties held for investment in Singapore and the PRC for which the percentage ratios, as defined under Rule 14.04(9) of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), exceed 5% are set out below.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Existing Use	Tenure
11 Hillside Drive, Singapore 548926 (Land Lot No. 99180L Mukim 22)	School campus	Leasehold estate for 103 years commenced from 16 November 2012
No. 78 Caiyun Road, Xigang District, Dalian, China 116011 (Land Lot no. 2-11-2-10-1)	Offices	Leasehold estate for 30 years commenced from December 2003

BANK LOANS AND OTHER BORROWINGS

As at 31 August 2017, the Group obtained variable interests rate bank loans secured by bank deposits and an investment property to finance the acquisition of investment property.

SHARE CAPITAL

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

PERMITTED INDEMNITY

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

DIRECTORS

The Directors during the year ended 31 August 2017 and up to the date of this report were as follows:

Executive Directors:

Mr. Shu Liang Sherman Jen
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 (resigned on 27 August 2017)
Mr. Xiaodan Mei (appointed on 27 August 2017)
Mr. Lap Tat Arthur Wong

In accordance with article 16.18 of the Company's Articles of Association, Mr. Shu Liang Sherman Jen and Mr. Peter Humphrey Owen will retire by rotation at the forthcoming AGM and, being eligible, have offered themselves for re-election.



REPORT OF THE DIRECTORS

In accordance with article 16.2 of the Company's Articles of Association, Mr. Xiaodan Mei who was appointed as a Director to fill a casual vacancy by the Board, will hold office until the next following general meeting and as such, Mr. Xiaodan Mei will retire at the forthcoming AGM and, being eligible, has offered himself for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

Each of our Executive Directors has renewed a service contract with our Company pursuant to which they agreed to act as Executive Directors until the year ended August 2019. Either the Company or the director has the right to give the other party not less than three months prior written notice to terminate the agreement.

Each of our Non-executive Director and Independent Non-executive Directors has signed a letter of appointment with our Company. The term of office of our Non-executive Director and Independent Non-executive Directors will end in August 2019. Either the Company or the director has the right to give the other party not less than three months prior written notice to terminate the agreement.

None of the Directors proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

Details of the emoluments of the Directors and those of the five highest paid individuals of the Group for the year ended 31 August 2017 are set out in note 10 to the financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

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

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESSES

Save as disclosed in note 34 to the financial statements headed "Related Party Transactions and Balances" and the section headed "Connected Transactions" of this report below, neither Director nor any entity connected with any of our Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 August 2017 or at any time during the year ended 31 August 2017.

During the year ended 31 August 2017, neither our controlling shareholders ("**Controlling Shareholders**" as defined in the Listing Rules) nor any of our Directors were interested in the business of operating international schools or educational institutions, other than our Group, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 August 2017.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

We have entered into a number of continuing agreements and arrangements ("**Contractual Arrangements**") with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for our Group.

Contractual Arrangements

Reasons for the Contractual Arrangements

PRC laws and regulations currently prohibit foreign ownership of elementary and middle schools in China. Furthermore, although PRC laws and regulations allow foreign investment in foreign national schools, preschools and high schools, government authorities either impose restrictions in this respect or, as a matter of policy, withhold approval for such ventures altogether (as discussed further below in the section headed "Updates in Relation to the Qualification Requirement"). The Contractual Arrangements among us, Dalian Beipeng Educational Software Development Inc. ("**Beipeng Software**"), our consolidated affiliated entities and shareholders of our consolidated affiliated entities are therefore necessary to achieve our business objectives, although they have been as narrowly tailored as possible so as to minimize potential conflict with current PRC laws and regulations.

Our Directors (including the Independent Non-executive Directors) consider that the Contractual Arrangements are fundamental to our Group's legal structure and business operations and have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of the consolidated affiliated entities are consolidated into our Group's financial statements as if they were our Group's subsidiaries, and the flow of economic benefits of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules.



REPORT OF THE DIRECTORS

Risks relating to the Contractual Arrangements

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

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

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at 31 August 2017 are as follows:

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



REPORT OF THE DIRECTORS

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

REPORT OF THE DIRECTORS

Apart from the above, there are no other new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC consolidated affiliated entities during the financial year ended 31 August 2017. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 August 2017, except that Hainan Science and Education Group Co., Ltd., Hainan Maple Leaf International School, Yancheng Maple Leaf International School, Liangping Maple Leaf International School, Liangping Maple Leaf International Preschool, Huzhou Maple Leaf International School and Weifang Maple Leaf International School have been added as subsidiary entities of Dalian Educational Group pursuant to the requirements of the management consultancy and business cooperation agreement in (i) above.

For the year ended 31 August 2017, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

The Group has adopted various measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the Group's compliance with the Contractual Arrangements including the review of the overall performance of and compliance with the structured contracts under the Contractual Arrangements by the Board at least once a year.

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

Listing Rules Implications

As the Founder is our Controlling Shareholder and our chairman of the Board and is therefore our connected person pursuant to Rule 14A.07(1) of the Listing Rules. The Founder's Sister is the sister of the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(a) and 14A.07(4) of the Listing Rules. Dalian Educational Group is wholly owned by the Founder's Sister and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Dalian Science and Education is 95.3% indirectly owned by the Founder's Sister via Dalian Educational Group, which she controls, and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(2)(b) and 14A.07(4) of the Listing Rules. Each of Wuhan Foreign School, Dalian Foreign School and Yiwu Foreign School is wholly owned by the Founder and is therefore an associate of the Founder and our connected person pursuant to Rules 14A.12(1)(c) and 14A.07(4) of the Listing Rules. Accordingly, the Contractual Arrangements constitute connected transactions of the Company under the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements, including (i) the announcement and independent shareholders' approval requirements, (ii) the requirement of setting an annual cap for the fees payable to Beipeng Software under the Contractual Arrangements and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject however to the condition that the Contractual Arrangements subsist and that the consolidated affiliated entities will continue to be consolidated into our Group's financial results as if they were our Group's subsidiaries. If any terms of the Contractual Arrangements are altered or if the Group enters into any new agreements with any connected persons in the future, the Group must fully comply with the relevant requirements under the Listing Rules unless we obtains a separate waiver from the Stock Exchange.



REPORT OF THE DIRECTORS

Agreements with Beipeng Software

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

For the year ended 31 August 2017, the Services provided by Beipeng Software to the Dalian Educational Group and its subsidiaries, Wuhan Foreign School, Dalian Foreign School and Yiwu Foreign School amounted to RMB33.1 million.

Confirmation from Independent Non-executive Directors

Our Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended 31 August 2017 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 August 2017, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended 31 August 2017, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditors

The auditors of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2017:

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

During the year ended 31 August 2017, no related party transactions disclosed in note 34 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosable requirements set out in Chapter 14A of the Listing Rules.

QUALIFICATION REQUIREMENT

Draft New Foreign Investment Law

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

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

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

Updates in Relation to the Qualification Requirement

The foreign investor in a sino-foreign joint venture school for PRC students at the preschool or high school level must be a foreign educational institution with relevant qualification and experience at the same level and in the same category of education (the “**Qualification Requirement**”). The foreign portion of the total investment in a sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to the approval of education authorities at the provincial level. Our preschools or high schools are in the form of domestic Chinese preschools or high schools except that Dalian Maple Leaf High School is in the form of a sino-foreign joint venture private school.

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

Efforts and Actions Undertaken to Comply with the Qualification Requirement

In collaboration with KPU, the Group opened the second high school in Richmond, BC, Canada, namely Maple Leaf School – KPU, on a designated area of KPU’s campus leased from KPU in September 2017.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2017.



REPORT OF THE DIRECTORS

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students and their parents or other sponsors. We did not have a single customer who accounted for more than 5% of our revenue for the two years ended 31 August 2017 and 2016.

For the year ended 31 August 2017, our five largest suppliers in aggregate accounted for approximately 8.93% (2016: 3.47%) of our cost of revenue and our largest supplier accounted for approximately 3.31% (2016: 0.97%) of our cost of revenue. None of our Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers.

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

As at 31 August 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director/chief executive	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares and underlying Shares	Approximate percentage of shareholding
Shu Liang Sherman Jen (“Mr. Jen”)	Interest of controlled corporation	746,781,037 (Note 1)	–	746,781,037	54.13%
	Beneficial interest	33,410	2,015 (Note 2)	35,425	0.00%
	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	650,000	671 (Note 2)	650,671	0.05%
Howard Robert Balloch	Beneficial interest	1,100,671	–	1,100,671	0.08%
	Interest of controlled corporation	4,051,822 (Note 4)	–	4,051,822	0.29%
Peter Humphrey Owen	Beneficial interest	30,000	671 (Note 2)	30,671	0.00%
Xiaodan Mei	Beneficial interest	–	–	–	0.00%
Lap Tat Arthur Wong	Beneficial interest	180,000	–	180,000	0.01%

REPORT OF THE DIRECTORS

Notes:

1. *Sherman Investment Holdings Limited (“Sherman Investment”) is a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Jen. Mr. Jen is deemed to be interested in 746,781,037 Shares held by Sherman Investment, of which 4,911,128 Shares are deemed interest of Sherman Investment as a result of the charge of 4,911,128 consideration Shares to Dalian Maple Leaf Educational Group Co., Ltd., a wholly owned subsidiary of the Company by Haikou Baifuyuan Trading Co., Ltd as the second vendor of Haikou Acquisition for security arrangement.*
2. *These interests in underlying Shares represent the interests in outstanding options granted pursuant to the share option scheme approved and adopted by the Company on 1 April 2008 (“Pre-IPO Share Option Scheme”) to subscribe for the relevant number of Shares.*
3. *Mr. Jen is the spouse of Ms. Meichen Amy Yan (“Ms. Yan”) who is interested in 671 underlying Shares. Mr. Jen is deemed to be interested in all the Shares and underlying Shares in which Ms. Yan is interested by virtue of the SFO.*
4. *These Shares were held by Balloch Investment Holdings Limited (“Balloch Investment”), a company which is owned as to 50% by each of Mr. Howard Robert Balloch and his spouse. Mr. Howard Robert Balloch is deemed to be interested in all the Shares held by Balloch Investment.*

Long position in shares in associated corporation

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

Save as disclosed above, as at 31 August 2017, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



REPORT OF THE DIRECTORS

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

As at 31 August 2017, the following persons or corporations, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions

Name of Shareholder	Capacity	Total interest in Shares and underlying Shares	Approximate percentage of interest in the Company
Sherman Investment (Note 1)	Beneficial interest	741,869,909	53.78%
	Interest of controlled corporations	4,911,128	0.36%
Ms. Yan (Note 2)	Interest of spouse	746,816,462	54.14%
	Beneficial interest	671	0.00%
Buena Vista Fund Management, LLC ("Buena Vista Fund")(Note 3)	Investment manager	95,688,000	6.94%

Notes:

- (1) Sherman Investment is wholly owned by Mr. Jen, and has beneficial interest in 741,869,909 Shares and a deemed interest in 4,911,128 consideration Shares which are charged to Dalian Maple Leaf Educational Group Co., Ltd., a wholly owned subsidiary of the Company by Haikou Baifuyuan Trading Co., Ltd as the second vendor of Haikou Acquisition for security arrangement.
- (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) 33,410 Shares and options granted pursuant to the Pre-IPO Share Option Scheme to subscribe for 2,015 Shares, and (ii) 746,781,037 Shares held by Sherman Investment, of which 4,911,128 Shares are deemed interest of Sherman Investment as a result of the charge of 4,911,128 consideration Shares to Dalian Maple Leaf Educational Group Co., Ltd., a wholly owned subsidiary of the Company by Haikou Baifuyuan Trading Co., Ltd as the second vendor of Haikou Acquisition for security arrangement.
- (3) Buena Vista Asian Opportunities Master Fund, LTD is the beneficial owners of 95,688,000 Shares as at 31 August 2017. 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 31 August 2017, no other person or corporation, other than the Directors or the chief executive of the Company, had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REMUNERATION POLICY

Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications, competence and contribution to the Group. Compensation of key executives of the Group is determined by the Company's remuneration committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The Company also has a provident fund set up for its employees and share incentive schemes as described below.

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**”).

Details on the movement of the relevant scheme for the year ended 31 August 2017 is set out in note 26 to the financial statements.

1. Employee Pre-IPO Share Option Scheme

The Board approved and adopted the Pre-IPO Share Option Scheme on 1 April 2008 (the “**Effective Date**”) to attract and retain the best available personnel, to provide additional incentives to employees, Directors and consultants of the Company and any Parent Corporate or Subsidiary Corporate (as defined in Section 424(e) and Section 424(f) of the US Inland Revenue Code of 1986, respectively) of the Company and any business, corporation, partnership, limited liability company or other entity in which the Company or a Parent Corporate or a Subsidiary Corporate of the Company holds a substantial ownership interest, directly or indirectly (“**Related Entities**”) and to promote the success of the Company’s business. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve our Company granting options to subscribe for Shares once the Company became a listed issuer.

(a) Eligible Persons

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

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

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

(c) Share Limits

Our Board has authorized the issuance of up to 33,351,416 Shares (adjusted for any share-splits or other dilutive issuances), representing approximately 2.42% of the issued shares as at the date of this report, upon the exercise of awards granted under the Pre-IPO Share Option Scheme.



REPORT OF THE DIRECTORS

(d) Option Grants

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

(e) Vesting and Exercising the Option

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

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

(f) Exercise Price

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

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

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

(h) Outstanding Share Options

The table below discloses movements in the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at 31 August 2017. No Options were granted from the Listing Date to 31 August 2017.

REPORT OF THE DIRECTORS

Grantees	Date of grant	Number of share options			As at 31 August 2017	Exercise period	Exercise Price	Vesting period
		As at 1 September 2016	Exercised during the year	lapsed during the year				
Directors								
Shu Liang Sherman Jen	2 June 2014	2,015	-	-	2,015	10 years after the date of grant	RMB0.93	None
Zhenwan Liu*	2 June 2014	1,007	-	(1,007)	-	10 years after the date of grant	RMB0.93	None
Jingxia Zhang	1 September 2008	-	-	-	-	10 years after the date of grant	RMB0.93	Four years from the date of grant
	2 June 2014	1,007	-	-	1,007	10 years after the date of grant	RMB0.93	None
James William Beeke	2 June 2014	671	-	-	671	10 years after the date of grant	RMB0.93	None
Howard Robert Balloch	2 June 2014	-	-	-	-	10 years after the date of grant	RMB0.93	None
Peter Humphrey Owen	2 June 2014	671	-	-	671	10 years after the date of grant	RMB0.93	None
Sub-total		5,371	-	(1,007)	4,364			
Employees in aggregate								
27 employees	1 September 2008	6,782	-	-	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	-	-	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	-	-	2,989	10 years after the date of grant	RMB0.93	None
Sub-total		171,345	-	-	171,345			
Total		176,716	-	(1,007)	175,709			

* Resigned on 15 August 2016



REPORT OF THE DIRECTORS

2. Post-IPO Share Option Scheme

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

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

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

- (i) any Directors (including Executive Directors, Non-executive Directors and Independent Non-executive Directors) and employees of any member of our Group; and
- (ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these class of participants to the grant of any Option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

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

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

REPORT OF THE DIRECTORS

As at the date of this report, the Company had a total of 132,800,000 Shares available for issue under the Post-IPO Share Option Scheme (representing approximately 9.63% of the issued Shares as at the date of this report).

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

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

(d) Maximum entitlement of each participant

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

(e) Grant of options to connected persons

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



REPORT OF THE DIRECTORS

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

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

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

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

(f) Time of acceptance and exercise of option

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

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

(g) Subscription price for Shares

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

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

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

(h) Restriction on the time of grant of options

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

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

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

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



REPORT OF THE DIRECTORS

(j) Outstanding Share Options

The table below discloses movements in the outstanding share options granted to all grantees under the Post-IPO Share Option Scheme as at 31 August 2017. No Options were granted under the Post-IPO Share Option Scheme during the financial year ended 31 August 2017.

Grantees	Date of grant	Number of share options			Outstanding as at 31 August 2017	Exercise period	Exercise Price	Vesting period
		As at 1 September 2016	Exercised during the year	Lapsed during the year				
Employees in aggregate								
First tranche	16 February 2016	200,000	(100,000)	-	100,000	1 March 2017	HK\$4.400	From 1 March 2017 to 15 February 2026
Second tranche	16 February 2016	200,000	-	(100,000)	100,000	1 March 2018	HK\$4.400	From 1 March 2018 to 15 February 2026
Third tranche	16 February 2016	200,000	-	(100,000)	100,000	1 March 2019	HK\$4.400	From 1 March 2019 to 15 February 2026
Total		600,000	(100,000)	(200,000)	300,000			

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

3. Share Award Scheme

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

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

(b) Awards

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

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

(c) Grant of Awards

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

(d) Shares underlying the Awards

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

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

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

(e) Restrictions on grants and Share purchases

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

(f) Vesting of Awards

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

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

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

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

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

(g) Limit for each Beneficiary

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



REPORT OF THE DIRECTORS

(h) The Share Award Scheme Period

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

(i) Outstanding Shares awarded

In July 2015, the Scheme Trustee purchased a total of 31,080,000 Shares on the Stock Exchange at a total consideration of approximately HK\$74.7 million (equivalent to approximately RMB59.0 million). During the year 31 August 2017, the Scheme Trustee did not purchase any Share on the Stock Exchange and a total of 5,570,896 Shares under the Share Award Scheme were granted to employees and a consultant of the Group. The table below discloses movements in the outstanding Shares granted under the Share Award Scheme to all grantees at 31 August 2017.

Grantees	Date of grant	Number of Shares				As at 31 August 2017	Vesting period or date (Note)	Vesting conditions
		As at 1 September 2016	Granted during the year	Vested during the year	Forfeited during the year			
Employees								
Second tranche	1 March 2016	2,239,000	-	(2,199,000)	(40,000)	-	31 May 2017	Subject to performance conditions
Third tranche	1 March 2016	1,100,000	-	-	(20,000)	1,080,000	31 May 2018	Subject to performance conditions
Fifth tranche	3 March 2017	-	2,790,000	(2,786,000)	(4,000)	-	31 May 2017	Subject to performance conditions
Sixth tranche	3 March 2017	-	2,352,000	-	(10,000)	2,342,000	31 May 2018	Subject to performance conditions
Seventh tranche	3 March 2017	-	348,000	-	-	348,000	31 May 2019	Subject to performance conditions
Consultant								
Eighth tranche	20 March 2017	-	80,896	(80,896)	-	-	-	No vesting conditions
Total		3,339,000	5,570,896	(5,065,896)	(74,000)	3,770,000		

Note:

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

Further details on the movement of the Shares awarded during the year ended 31 August 2017 are set out in note 26 to the financial statements.

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

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.

In December 2016, Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin’s application was dismissed. The case now proceeds to the main trial stage.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 31 August 2017, the Company 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.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY’S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 August 2017.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 August 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company’s Articles of Association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

CHARITABLE DONATIONS

There were no charitable donations made by the Group during the year ended 31 August 2017.

LITIGATION

Save as disclosed in the section headed “Contingent liabilities” in “Management Discussion and Analysis” and “Report of the Directors”, the Group did not have any material litigation outstanding as at 31 August 2017.

CONTINUING DISCLOSURE PURSUANT TO LISTING RULES

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



REPORT OF THE DIRECTORS

CHANGE IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

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

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

USE OF PROCEEDS

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

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

- approximately RMB209.2 million has been utilized towards the expansion of our school network, in particular by developing new schools on our own in major cities in China;
- approximately RMB64.9 million has been utilized towards the maintenance, renovation and upgrade of our existing schools, such as in our Dalian, Wuhan, Shanghai and Hainan campuses;
- approximately RMB72.3 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.

NON-COMPETITION UNDERTAKING

In March 2008, each of the Founders, Ms. Meichen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others not to establish new entities or schools that are in competition with the entities or schools directly or indirectly controlled by us without our consent ("**Non-competition Undertaking**").

The Founders, Ms. Meichen Amy Yan, Ms. Shu Ling Jen and Sherman Investment undertook to the Company and among others have confirmed their compliance with the Non-Competition Undertaking throughout the period from the Listing Date to 31 August 2017. The Independent Non-executive Directors have also reviewed the compliance with the Non-competition Undertaking and are satisfied that they have complied with the undertakings.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 August 2017 and has met with the independent auditors, Messrs. Deloitte Touche Tohmatsu (“**Deloitte**”). The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

AUDITORS

The consolidated financial statements for the year ended 31 August 2017 have been audited by Deloitte. A resolution for the re-appointment of Deloitte as the Company’s auditors is to be proposed at the forthcoming AGM.

On behalf of the Board

Shu Liang Sherman Jen

Chairman and Chief Executive Officer

Hong Kong, 27 November 2017



CORPORATE GOVERNANCE REPORT

The board (the “**Board**”) of directors (“**Directors**”) of China Maple Leaf Educational Systems Limited (the “**Company**”) is pleased to present this Corporate Governance Report in the Company’s annual report for the year ended 31 August 2017.

CORPORATE GOVERNANCE CODE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 enquiries have been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended 31 August 2017.

BOARD OF DIRECTORS

The Board currently comprises seven members, consisting of three Executive Directors, one Non-executive Director and three Independent Non-executive Directors.

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

Executive Directors

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

Non-executive Director

Mr. Howard Robert Balloch

Independent Non-executive Directors

Mr. Peter Humphrey Owen
Mr. Chak Kei Jack Wong (resigned on 27 August 2017)
Mr. Xiaodan Mei (appointed on 27 August 2017)
Mr. Lap Tat Arthur Wong

CORPORATE GOVERNANCE REPORT

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

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

Chairman and Chief Executive Officer

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

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

Board Meetings and Shareholders’ Meetings Held

During the year ended 31 August 2017, the Board convened four Board meetings and the Company convened an annual general meeting (“AGM”). A summary of the attendance record of the Directors is set out in the following table below:

Name of Director	Attendance/ Number of meetings	
	Board Meetings	AGM
Executive Directors		
Mr. Shu Liang Sherman Jen	4/4	1/1
Ms. Jingxia Zhang	4/4	1/1
Mr. James William Beeke	4/4	1/1
Non-executive Director		
Mr. Howard Robert Balloch	4/4	1/1
Independent Non-executive Directors		
Mr. Peter Humphrey Owen	4/4	1/1
Mr. Chak Kei Jack Wong (resigned on 27 August 2017*)	4/4	1/1
Mr. Xiaodan Mei (appointed on 27 August 2017*)	N/A	N/A
Mr. Lap Tat Arthur Wong	4/4	1/1

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

Apart from regular Board meetings, the Chairman also held a meeting with the Non-executive Director and Independent Non-executive Directors without the presence of Executive Directors during the year ended 31 August 2017.

* For further details, please refer to the Company’s announcements titled “Change of Independent Non-Executive Director, Change of the composition of Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee” dated 28 August 2017 (as supplemented on 29 August 2017).



CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

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

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

Non-executive Directors and Directors' Re-election

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

All Directors including non-executive Director and independent non-executive Directors have been appointed for a fixed term of less than three years. Each of the Directors is subject to retirement by rotation once every three years in accordance with the Company's Articles of Association. The Articles of Association requires that at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operations and management of the Company are delegated to the management.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group.

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

In accordance with code provision A.6.5 of the CG Code with regard to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 August 2017, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/ conferences	Reading books/ journals/ articles
Mr. Shu Liang Sherman Jen	✓	✓
Ms. Jingxia Zhang	✓	✓
Mr. James William Beeke	✓	✓
Mr. Howard Robert Balloch	✓	✓
Mr. Peter Humphrey Owen	✓	✓
Mr. Chak Kei Jack Wong (resigned on 27 August 2017)	✓	✓
Mr. Xiaodan Mei (appointed on 27 August 2017)	N/A	N/A
Mr. Lap Tat Arthur Wong	✓	✓

During the year ended 31 August 2017, the Company has also arranged a training session provided by the Company's lawyer for Directors on Board's responsibilities for disclosure of notifiable transactions as defined by the Stock Exchange Rules.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. Each of these committees was established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

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



CORPORATE GOVERNANCE REPORT

Audit Committee

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

The Audit Committee consists of three members: Mr. Lap Tat Arthur Wong, Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong (resigned on 27 August 2017) and Mr. Xiaodan Mei (appointed on 27 August 2017), all of whom are Independent Non-executive Directors. Mr. Lap Tat Arthur Wong is the chairman of the Audit Committee.

During the year ended 31 August 2017, the Audit Committee held three meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Lap Tat Arthur Wong	3/3
Mr. Peter Humphrey Owen	3/3
Mr. Chak Kei Jack Wong (resigned on 27 August 2017)	2/3
Mr. Xiaodan Mei (appointed on 27 August 2017)	N/A

During the meetings, the Audit Committee reviewed the annual results and reports for the year ended 31 August 2016 and the interim results and report for the six months ended 28 February 2017, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

During the year ended 31 August 2017, the Audit Committee also met with the external auditors twice in the absence of the executive Directors.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee include but are not limited to, (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations to the Board on the remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee consists of three members: Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong (resigned on 27 August 2017), Mr. Xiaodan Mei (appointed on 27 August 2017) and Mr. Howard Robert Balloch. Mr. Balloch is a Non-executive Director and Mr. Owen, Mr. Wong and Mr. Mei are Independent Non-executive Directors. Mr. Owen is the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2017, the Remuneration Committee held two meetings. The attendance record of the meetings is set out in the table below:

Name of Committee Member	Attendance/Number of meetings
Mr. Peter Humphrey Owen	2/2
Mr. Chak Kei Jack Wong (resigned on 27 August 2017)	1/2
Mr. Howard Robert Balloch	2/2
Mr. Xiaodan Mei (appointed on 27 August 2017)	N/A

During the meetings, the Remuneration Committee reviewed and made recommendations to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters of the Company.

During the year ended 31 August 2017, total remuneration paid/payable to the senior management (including all executive Directors) by band expressed in Hong Kong dollars (“HK\$”) is set out below:

Band	Number of senior management
Nil to HK\$1,000,000	4
HK\$1,000,001 to HK\$1,500,000	1
HK\$2,500,001 to HK\$3,000,000	1
HK\$5,000,001 to HK\$5,500,000	1

Nomination and Corporate Governance Committee

The Company has established a Nomination and Corporate Governance Committee with written terms of reference in compliance with paragraphs A.5 and D.3 of the CG Code. The Nomination and Corporate Governance Committee has the following two main functions: (i) nomination function including reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors; (ii) corporate governance function including reviewing the Company’s corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company’s policies and practices on compliance with legal and regulatory requirements and the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

The Nomination and Corporate Governance Committee consists of three members: Mr. Shu Liang Sherman Jen, Mr. Peter Humphrey Owen, Mr. Chak Kei Jack Wong (resigned on 27 August 2017) and Mr. Xiaodan Mei (appointed on 27 August 2017). Mr. Jen is an Executive Director and Mr. Owen, Mr. Wong and Mr. Mei are Independent Non-executive Directors. Mr. Jen is the chairman of the Nomination and Corporate Governance Committee.



CORPORATE GOVERNANCE REPORT

During the year ended 31 August 2017, the Nomination and Corporate Governance Committee held two meetings. The attendance record of the meeting is set out in the table below:

Name of Committee Member	Attendance/Number of meeting
Mr. Shu Liang Sherman Jen	2/2
Mr. Peter Humphrey Owen	2/2
Mr. Chak Kei Jack Wong (resigned on 27 August 2017)	1/2
Mr. Xiaodan Mei (appointed on 27 August 2017)	N/A

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

BOARD DIVERSITY POLICY

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

The Nomination and Corporate Governance Committee is responsible for monitoring and reviewing the Policy annually. During the year ended 31 August 2017, the Nomination and Corporate Governance committee was satisfied with the diversity of the existing Board and did not recommend any change of the size of the Board.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2017.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor’s Report on pages 76 to 79 in this report.



AUDITORS' REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditors for the year ended 31 August 2017. During the year ended 31 August 2017, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by the Group's external auditors are set out below:

Items of auditors' services	Amount RMB'000
Audit service:	
Annual audit service	2,600
Non-audit services:	
ESG consultation service	340
Tax advisory service	130
Review on continuing connected transactions	100
Total	3,170

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining adequate and effective systems of risk management and internal control of the Group and reviewing their effectiveness annually.

The Group's risk management and internal control systems include a management structure with defined lines of responsibility and limits of authority. These systems aim to provide reasonable, but not absolute, assurance that assets are safeguard against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The systems are designed to identify, evaluate and manage effectively risks rather than to eliminate the risk of failure to achieve business objectives.

The Group has established a risk management framework in providing direction in identifying, evaluating and managing significant risks. Risks that would adversely affect the achievement of the Group's objectives are identified and assessed and prioritised according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks which are considered to be significant.

During the year ended 31 August 2017, the internal audit department of the Company reviewed the effectiveness of the Group's internal control system, inter alia, the financial, operational and compliance controls functions of the Group. No material deficiencies have been identified during the review. The relevant findings and recommendations have been reported to the Audit Committee and the Board. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board considered that the risk management and internal control systems are effective and adequate and are committed to improving the Group's risk management and internal control systems on an ongoing basis.



CORPORATE GOVERNANCE REPORT

The Group complies with requirements of the Securities and Futures Ordinance (“SFO”) and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

Ms. Wai Ling Chan (“**Ms. Chan**”) of Tricor Services Limited (“**Tricor**”), an external service provider, has been engaged by the Company as its company secretary. Ms. Grace Jen, assistant to chief financial officer, was the primary contact person between the Company and Ms. Chan during her tenure.

Ms. Chan undertook no less than 15 hours of relevant professional training during the year ended 31 August 2017.

SHAREHOLDERS’ RIGHTS

To safeguard Shareholders’ interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

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

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

General meetings shall also be convened on the written requisition of any two or more members deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: Room 1302, 13/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong
Investor Relations Department
Fax: (852) 3565 5967
Email: ir@mapleleaf.net.cn

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company has not made any changes to its Articles of Association during the year ended 31 August 2017. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.



INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China Maple Leaf Educational Systems Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 80 to 154, which comprise the consolidated statement of financial position as at 31 August 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”) issued by International Auditing and Assurance Standards Board (the “**IAASB**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter

Impairment of goodwill

We identified the management's determination on impairment of goodwill as a key audit matter due to judgment and estimation involved in the discounted future cash flow model which was prepared and used by management in considering impairment of goodwill.

Impairment of goodwill is assessed by management by comparing the recoverable amount and carrying amount of the relevant cash generating units engaged in private school operation at the end of the reporting period. Significant judgments and assumptions were required by management of the Group in assessing the recoverable amounts of those cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates, growth rates of student number and tuition fee during the forecasting period in order to derive the net present value of the discounted future cash flow analysis.

Details of the key estimation uncertainties and the impairment assessment on goodwill are disclosed in notes 4 and 16, respectively, to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to management's evaluation of impairment assessment of goodwill included:

- Testing the Group's key control for the impairment assessment on goodwill;
- Involving our internal specialists to evaluate the appropriateness of the methodologies of the impairment test;
- Obtaining the discounted future cash flow analysis prepared by the management and checking its mathematical accuracy; and
- Evaluating the reasonableness of the key assumptions adopted by the management, including discount rates, growth rates of student number and tuition fee during the forecasting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 November 2017



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 August 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	5	1,083,182	829,770
Cost of revenue		(543,331)	(428,029)
Gross profit		539,851	401,741
Investment and other income	6	45,039	32,426
Other gains and losses	7	48,668	40,754
Marketing expenses		(29,547)	(26,042)
Administrative expenses		(155,392)	(122,989)
Finance costs		(7,957)	–
Profit before taxation		440,662	325,890
Taxation	8	(26,939)	(18,326)
Profit for the year	9	413,723	307,564
Other comprehensive (expense) income: Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investments		–	(8,184)
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		–	14,301
Exchange difference arising on the translation of foreign operation		(3,402)	838
Other comprehensive (expense) income for the year, net of income tax		(3,402)	6,955
Total comprehensive income for the year		410,321	314,519
Profit for the year attributable to owners of the Company		410,476	307,564
Profit for the year attributable to non-controlling interest		3,247	–
		413,723	307,564
Total comprehensive income attributable to:			
Owners of the Company		407,074	314,519
Non-controlling interest		3,247	–
		410,321	314,519
EARNINGS PER SHARE			
Basic (RMB cents)	12	30.63	23.14
Diluted (RMB cents)	12	30.57	23.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2017

	NOTES	31/8/2017 RMB'000	31/8/2016 RMB'000
Non-current Assets			
Property, plant and equipment	13	1,814,438	1,505,847
Prepaid lease payments	14	203,591	166,165
Investment properties	15	337,798	11,568
Goodwill	16	60,464	12,399
Intangible assets		7,167	462
Books for lease		3,222	3,187
Interest in a joint venture		1,000	–
Pledged bank deposits	17	245,000	242,000
		2,672,680	1,941,628
Current Assets			
Inventories		18,205	9,421
Deposit, prepayments and other receivables	18	76,737	37,373
Bank balances and cash	19	1,649,296	1,237,902
		1,744,238	1,284,696
Current Liabilities			
Deferred revenue	20	1,008,348	802,848
Other payables and accrued expenses	21	382,629	336,972
Income tax payable		58,455	43,744
Borrowings	23	116,981	–
		1,566,413	1,183,564
Net Current Assets		177,825	101,132
Total Assets Less Current Liabilities		2,850,505	2,042,760



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 August 2017

	NOTES	31/8/2017 RMB'000	31/8/2016 RMB'000
Capital and Reserves			
Share capital	24	8,549	8,418
Reserves		2,420,638	2,013,067
Equity attributable to owners of the Company		2,429,187	2,021,485
Non-controlling interest		72,331	–
Total Equity		2,501,518	2,021,485
Non-Current Liabilities			
Deferred tax liabilities	22	41,822	21,275
Borrowings	23	307,165	–
		348,987	21,275
		2,850,505	2,042,760

The consolidated financial statements on pages 80 to 154 were approved and authorised for issue by the Board of Directors on 27 November 2017 and are signed on its behalf by:

Shuliang Sherman Jen

Jingxia Zhang

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2017

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held for restricted share award scheme RMB'000 (Note a)	Investment valuation reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Share-based payment reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total 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	-	1,812,294
Profit for the year	-	-	-	-	-	-	-	307,564	307,564	-	307,564
Other comprehensive income for the year	-	-	-	6,117	838	-	-	-	6,955	-	6,955
Total comprehensive income for the year	-	-	-	6,117	838	-	-	307,564	314,519	-	314,519
Transfer to statutory surplus reserve	-	-	-	-	-	14,187	-	(14,187)	-	-	-
Transfer from share premium to retained profits (Note c)	-	(340,853)	-	-	-	-	-	340,853	-	-	-
Share-based payments	-	-	-	-	-	-	18,489	-	18,489	-	18,489
Contribution from the controlling shareholder of the Company	-	500	-	-	-	-	-	-	500	-	500
Dividends recognised as distribution (Note 11)	-	(127,892)	-	-	-	-	-	-	(127,892)	-	(127,892)
Dividends distributed to the restricted share award scheme	-	2,574	-	-	-	-	-	-	2,574	-	2,574
Exercise of share options	7	2,110	-	-	-	-	(1,116)	-	1,001	-	1,001
Shares vested under restricted share award scheme	-	-	6,651	-	-	-	(14,034)	7,383	-	-	-
At 31 August 2016	8,418	771,094	(52,331)	-	552	193,223	4,522	1,096,007	2,021,485	-	2,021,485
Profit for the year	-	-	-	-	-	-	-	410,476	410,476	3,247	413,723
Other comprehensive income for the year	-	-	-	-	(3,402)	-	-	-	(3,402)	-	(3,402)
Total comprehensive income for the year	-	-	-	-	(3,402)	-	-	410,476	407,074	3,247	410,321
Acquisition of a subsidiary (Note 31)	130	116,490	-	-	-	-	-	-	116,620	69,084	185,704
Transfer to statutory surplus reserve	-	-	-	-	-	12,160	-	(12,160)	-	-	-
Share-based payments	-	-	-	-	-	-	24,068	-	24,068	-	24,068
Dividends recognised as distribution (Note 11)	-	(142,901)	-	-	-	-	-	-	(142,901)	-	(142,901)
Dividends distributed to the restricted share award scheme	-	2,451	-	-	-	-	-	-	2,451	-	2,451
Exercise of share options	1	590	-	-	-	-	(201)	-	390	-	390
Shares vested under restricted share award scheme	-	-	9,614	-	-	-	(20,779)	11,165	-	-	-
At 31 August 2017	8,549	747,724	(42,717)	-	(2,850)	205,383	7,610	1,505,488	2,429,187	72,331	2,501,518



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 August 2017

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

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

- (i) In accordance with relevant PRC regulations, for PRC subsidiaries with limited liability, it is required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits as determined in accordance with PRC accounting standards for each calendar year until the balance reaches 50% of the relevant PRC entity’s registered capital.*
- (ii) According to the relevant PRC laws and regulations, for private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net assets of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for construction or maintenance of the school or procurement or upgrading of educational equipment.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	440,662	325,890
Adjustments for:		
Amortisation of books for lease	2,610	2,543
Amortisation of intangible assets	595	238
Amortisation of prepaid lease payments	4,771	4,353
Depreciation of investment properties	3,795	733
Depreciation of property, plant and equipment	47,396	42,257
Dividends income from short term investments	(140)	(3,466)
Exchange gain	(2,601)	(15,384)
Finance costs	7,957	–
(Gain) Loss on disposal of property, plant and equipment and prepaid lease payments	(827)	8,052
Gain on disposal of short term investments	(3,497)	(14,301)
Interest income	(23,848)	(18,154)
Share-based payments	24,068	18,489
Operating cash flows before movements in working capital	500,941	351,250
Increase in deferred revenue	189,199	142,710
Increase in deposits, prepayment and other receivables	(2,581)	(14,297)
Increase in inventories	(8,784)	(8,026)
Increase in other payables and accrued expenses	16,044	44,848
Cash generated from operations	694,819	516,485
Income tax paid	(12,505)	(1,762)
Interest received	16,367	18,154
NET CASH FROM OPERATING ACTIVITIES	698,681	532,877



CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 August 2017

	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES		
Proceeds from disposal of short term investments	24,502	178,552
Proceeds on disposal of property, plant and equipment and prepaid lease payments	1,067	10,280
Dividends received from short term investments	140	3,466
Cash outflow on acquisition of assets through acquisition of a subsidiary (Note 30)	(330,833)	–
Purchase of property, plant and equipment	(224,071)	(146,713)
Purchase of held for trading investments	(21,491)	–
Payments for prepaid lease payments	(5,848)	–
Net cash outflow from acquisition of a subsidiary (Note 31)	(3,714)	(9,540)
Purchase of books for lease	(2,645)	(2,837)
Acquisition of investment in a joint venture	(1,000)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(563,893)	33,208
FINANCING ACTIVITIES		
New borrowings raised	437,392	–
Release from a pledged bank deposit	110,000	–
Proceeds from exercise of share options	390	1,001
Contribution from shareholder of the Company	–	500
Dividends paid	(140,450)	(125,318)
Placement of pledged bank deposits	(113,000)	(242,000)
Interest paid	(7,957)	–
Repayments of borrowings	(4,326)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	282,049	(365,817)
NET INCREASE IN CASH AND CASH EQUIVALENTS	416,837	200,268
CASH AND CASH EQUIVALENTS AT 1 SEPTEMBER	1,237,902	1,022,141
Effect of foreign exchange rate changes	(5,443)	15,493
CASH AND CASH EQUIVALENTS AT 31 AUGUST REPRESENTED BY BANK BALANCES AND CASH	1,649,296	1,237,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

1. GENERAL

China Maple Leaf Educational Systems Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law Chapter 22 of the Cayman Islands on 5 June 2007. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Sherman Investment Holdings Limited incorporated in the British Virgin Islands (“**BVI**”) and its ultimate controlling party is Mr. Sherman Jen, who is also the Chairman of the board and Chief Executive Officer of the Company. The address of the registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the address of principal place of business of the Company is Maple Leaf Educational Park, 6 Central Street, Jinshitan National Tourist Area, Dalian, Liaoning Province 116650, the People’s Republic of China (“**PRC**”).

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

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Dalian Maple Leaf Educational Group Co., Ltd (“**Dalian Educational Group**”), Dalian Maple Leaf Science and Education Co., Ltd (“**Dalian Science and Education**”), Dalian Maple Leaf Foreign National School (“**Dalian Foreign School**”), Wuhan Maple Leaf Foreign National School (“**Wuhan Foreign School**”) and Yiwu Maple Leaf Foreign National School (“**Yiwu Foreign School**”) (“**Consolidated Affiliated Entities**”) in the PRC. The wholly-owned subsidiary, Dalian Beipeng Educational Software Development Inc. (“**Beipeng Software**”), has entered into the contractual arrangements (the “**Contractual Arrangements**”) with the Consolidated Affiliated Entities and their respective equity holders, which enable Beipeng Software and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Beipeng Software;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Beipeng Software may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Beipeng Software; and obtain a pledge over the entire equity interest of Dalian Educational Group and Dalian Science and Education from their equity holders as collateral security for all of Dalian Educational Group and Dalian Science and Education’s payments due to Beipeng Software and to secure performance of Dalian Educational Group and Dalian Science and Education and their respective subsidiaries obligations under the Contractual Arrangements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

1. GENERAL (Continued)

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

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets and liabilities and income and expenses of Dalian Foreign School, Wuhan Foreign School, Dalian Science and Education, Dalian Educational Group and Dalian Educational Group's subsidiaries in the consolidated financial statements of the Group during both years.

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

	2017 RMB'000	2016 RMB'000
Revenue	796,556	653,041
Profit before taxation	370,036	268,084
	31/8/2017 RMB'000	31/8/2016 RMB'000
Non-current assets	1,631,414	1,227,104
Current assets	1,378,498	926,987
Current liabilities	(1,195,153)	(927,469)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs, amendments to IFRSs and International Accounting Standards (“IASs”) issued by International Accounting Standards Board (“IASB”) for the first time in the current year:

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 amendments to IFRSs and IASs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle ⁵



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

New and revised IFRSs issued but not effective (Continued)

- 1 *Effective for annual periods beginning on or after 1 January 2018*
- 2 *Effective for annual periods beginning on or after 1 January 2019*
- 3 *Effective for annual periods beginning on or after a date to be determined*
- 4 *Effective for annual periods beginning on or after 1 January 2017*
- 5 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and impairment requirements for financial assets.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

New and revised IFRSs issued but not effective (Continued)

IFRS 9 Financial instruments (Continued)

Based on an analysis of the Group’s financial assets and liabilities as at 31 August 2017 on the basis of the facts and circumstances that exist at that date, the Directors do not anticipate that the application of IFRS 9 will have a material impact to the Group’s consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company (the “Directors”) anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

New and revised IFRSs issued but not effective (Continued)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 “Leases” and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 August 2017, the Group has non-cancellable operating lease commitments of RMB33,790,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit.

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

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures (Continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over a joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

Investment properties

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

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

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

Intangible assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Prepaid lease payments

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

Books for lease

Books for lease are stated in the consolidated statement of financial position at cost less subsequent accumulated amortisation and subsequent accumulated impairment losses, if any. Amortisation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the books' economic life.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) it is designated as at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit or loss (“FVTPL”) (Continued)

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, (ii) it is designated as at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item.

Loans and receivables

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

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

Impairment of financial assets

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method

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

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

Derecognition

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

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

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

Share-based payment arrangements

Share-based payment transactions of the Company

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical accounting judgment

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

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of Dalian Foreign School, Wuhan Foreign School, Yiwu Foreign School, Dalian Science and Education, Dalian Educational Group and Dalian Educational Group's subsidiaries in the consolidated financial statements during both years.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beipeng Software, the Consolidated Affiliated Entities and their equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 August 2017, the carrying amount of property, plant and equipment was RMB1,814,438,000 (2016: RMB1,505,847,000). Any change in these estimates may have a material impact on the results of the Group.

(b) Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Significant judgment and assumptions were required by management of the Group in assessing the impairment recoverable amounts of cash generating units. The recoverable amounts are determined with reference to the value in use of the relevant cash generating units, which required significant assumptions on discount rates, growth rates of students and tuition fee during the period in order to derive the net present value of the discounted future cash flow analysis. Where there is a downward revision of discounted future cash flow analysis or when the actual cash flows are less than expected, there will be a change of recoverable amount, a material impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was approximately RMB60,464,000 (2016: RMB12,399,000). Details of the impairment loss assessment are set out in note 16 to the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

5. 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 value added tax.

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

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

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

	2017 RMB'000	2016 RMB'000
Tuition and boarding fees	877,596	694,780
Others	205,586	134,990
	1,083,182	829,770

Major customers

No single customer contributes 10% or more of total revenue of the Group for the years ended 31 August 2017 and 2016.

Geographical information

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

6. INVESTMENT AND OTHER INCOME

	2017 RMB'000	2016 RMB'000
Interest income from pledged bank deposits and term deposits	23,848	17,453
Rental income from investment properties	14,124	2,761
Government grant	5,906	8,032
Dividend income from short term investment	140	3,466
Interest income from short term investment	-	701
Others	1,021	13
	45,039	32,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

7. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Reversal of other payables	38,915	18,866
Gain on disposal of short term investment	3,497	14,301
Net foreign exchange gain	2,601	15,384
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	827	(8,052)
Others	2,828	255
	48,668	40,754

8. TAXATION

	2017 RMB'000	2016 RMB'000
The charge comprises		
PRC Enterprise Income Tax ("EIT")	27,216	18,639
Deferred tax (Note 22)	(277)	(313)
	26,939	18,326

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	440,662	325,890
Tax at PRC EIT rate of 25%	110,165	81,472
Tax effect of preferential tax rate granted	(4,072)	–
Tax effect of tax loss not recognised	3,738	2,142
Utilisation of tax loss previously not recognised	(1,014)	(1,278)
Tax effect of income not taxable for tax purposes	(209,459)	(168,893)
Tax effect of expenses not deductible for tax purposes	127,581	104,883
Tax charge for the year	26,939	18,326



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

8. TAXATION (Continued)

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

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

Beipeng Software is entitled to High and New Technology Enterprise status starting from the calendar year of 2017. Beipeng Software is eligible for a preferential enterprise income tax rate of 15% starting from 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 (the “**Dalian High 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, Shanghai Maple Leaf International School, Yiwu Maple Leaf International School affiliated School, Zhejiang Yiwu Maple Leaf International School, Hainan Maple Leaf International School, Henan Maple Leaf International School and Yancheng Maple Leaf International School have been granted enterprise income tax exemption for the tuition income from relevant local tax bureaus. During the year ended 31 August 2017, non-taxable tuition income was RMB837,835,000 (2016: RMB675,573,000), and the related expense of RMB364,867,000 (2016: RMB295,986,000) was not deductible.

As at 31 August 2017, the Group had unused tax loss of RMB29,106,000 (2016: RMB16,638,000) available for offset against future taxable profits. No deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future taxable profit streams. As of 31 August 2017, tax losses of RMB29,106,000 (2016: RMB16,638,000) will expire in various years before 2022 (2016: 2021).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,480,218,000 at 31 August 2017 (2016: RMB1,035,441,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

9. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	408,434	330,417
– retirement benefit scheme contributions	19,983	15,051
– share-based payments	23,644	18,489
Total staff costs	452,061	363,957
Gross rental income from investment properties	(14,124)	(2,761)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year (included in administrative expenses)	2,205	1,230
Net rental income	(11,919)	(1,531)
Depreciation of property, plant and equipment	47,396	42,257
Depreciation of intangible assets	595	238
Depreciation of investment properties	3,795	733
Amortisation of prepaid lease payments	4,771	4,353
Amortisation of books for lease	2,610	2,543
Auditors' remuneration	2,949	2,683



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

Directors and chief executives

Details of the emoluments paid to the Directors and the chief executives of the Company are as follows:

For the year ended 31 August 2017:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
– Sherman Jen	–	5,033	–	16	5,049
– Zhang Jingxia	–	2,721	–	–	2,721
– James William Beeke	–	708	–	–	708
Non-executive director					
– Howard Robert Balloch	409	–	–	–	409
Independent non-executive directors					
– Peter Humphrey Owen	359	–	–	–	359
– Chak Kei Jack Wong (Note)	328	–	–	–	328
– Lap Tat Arthur Wong	371	–	–	–	371
Total	1,467	8,462	–	16	9,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

Directors and chief executives (Continued)

For the year ended 31 August 2016:

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors					
– Sherman Jen	–	3,820	1,146	15	4,981
– Zhang Jingxia	–	1,834	843	–	2,677
– Liu Zhenwan (Note)	–	1,848	674	–	2,522
– James William Beeke	–	1,750	843	–	2,593
Non-executive director					
– Howard Robert Balloch	320	–	169	–	489
Independent non-executive directors					
– Peter Humphrey Owen	341	–	169	–	510
– Chak Kei Jack Wong	329	–	113	–	442
– Lap Tat Arthur Wong	371	–	169	–	540
Total	1,361	9,252	4,126	15	14,754

Note: Mr. Chak Kei Jack Wong, has resigned from his position as an independent non-executive director of the Company effective from 27 August 2017.

Mr. Liu Zhenwan, has resigned from his position as an executive director, vice chairman of the board, president and co-chief executive officer of the Company effective from 15 August 2016.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

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

Employees

The five highest paid individuals of the Group included two directors for the year ended 31 August 2017 (2016: four) whose emoluments are included in the disclosures above. The emoluments of the remaining 3 individuals for the year ended 31 August 2017 (2016: one), are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	3,530	1,517
Share-based payments	264	118
Retirement benefit scheme contributions	24	15
	3,818	1,650

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

	2017 No. of employees	2016 No. of employees
Hong Kong Dollars ("HK\$") 1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	–

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

11. DIVIDENDS

During the year ended 31 August 2017, a final dividend of HK\$5.8 cents (equivalent to approximately RMB5.1 cents) per share (total dividend of RMB69,792,000) in respect of the year ended 31 August 2016 and an interim dividend of HK\$6.0 cents (equivalent to approximately RMB5.3 cents) per share (total dividend of RMB73,109,000) in respect of the six months period ended 28 February 2017 were paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

During the year ended 31 August 2016, a final dividend of HK\$4.3 cents (equivalent to approximately RMB3.6 cents) per share and a special dividend of HK\$2.7 cents (equivalent to approximately RMB2.3 cents) per share (total dividend of RMB79,915,000) in respect of the year ended 31 August 2015 and an interim dividend of HK\$4.2 cents (equivalent to approximately RMB3.5 cents) per share (total dividend of RMB47,977,000) in respect of the six months period ended 29 February 2016 were paid to the shareholders of the Company and the trustee holding the shares under the Share Award Scheme.

A final dividend of HK\$8.6 cents (equivalent to approximately RMB7.2 cents) per share in respect of the year ended 31 August 2017 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year ended 31 August 2017 and 2016 were based on the following data:

	2017 RMB'000	2016 RMB'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	410,476	307,564
	2017 Number of shares '000	2016 Number of shares '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,340,092	1,329,293
Effect of dilutive potential ordinary shares:		
Share options	198	830
Share Award Scheme	2,432	1,838
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,342,722	1,331,961

The number of shares adopted in the calculation of the basic earnings per share for the year ended 31 August 2017 and 2016 has been arrived after eliminating the ungranted or unvested shares of the Company held under the Share Award Scheme.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 September 2015	1,484,674	3,801	8,351	21,605	66,968	31,632	1,617,031
Additions	3,320	-	1,227	6,581	7,498	134,635	153,261
Transfer from construction in progress	142,599	8,979	-	-	-	(151,578)	-
Transfer from investment properties	7,382	-	-	-	-	-	7,382
Disposals	(9,391)	-	-	(1,797)	(583)	-	(11,771)
Exchange adjustment	-	-	-	-	-	729	729
At 31 August 2016	1,628,584	12,780	9,578	26,389	73,883	15,418	1,766,632
Additions	9,764	799	3,305	11,121	7,714	200,568	233,271
Acquired on acquisition of a subsidiary	119,200	-	930	341	2,617	-	123,088
Transfer from construction in progress	12,688	638	-	-	-	(13,326)	-
Disposals	-	(332)	(1,770)	(1,466)	(746)	-	(4,314)
Exchange adjustment	-	-	-	-	-	(132)	(132)
At 31 August 2017	1,770,236	13,885	12,043	36,385	83,468	202,528	2,118,545
DEPRECIATION							
At 1 September 2015	157,666	3,578	5,465	10,963	41,608	-	219,280
Provided for the year	30,110	4	975	3,480	7,688	-	42,257
Transfer from investment properties	2,687	-	-	-	-	-	2,687
Eliminated on disposals	(1,466)	-	-	(1,478)	(495)	-	(3,439)
At 31 August 2016	188,997	3,582	6,440	12,965	48,801	-	260,785
Provided for the year	34,052	620	1,195	3,018	8,511	-	47,396
Eliminated on disposals	-	(310)	(1,682)	(1,378)	(704)	-	(4,074)
At 31 August 2017	223,049	3,892	5,953	14,605	56,608	-	304,107
CARRYING VALUES							
At 31 August 2017	1,547,187	9,993	6,090	21,780	26,860	202,528	1,814,438
At 31 August 2016	1,439,587	9,198	3,138	13,424	25,082	15,418	1,505,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	1.9% to 3.2%
Leasehold improvements	over the term of the lease
Motor vehicles	19%
Furniture and fixtures	11.9% to 19%
Computer equipment	19%

At 31 August 2017 and 2016, the Group had not pledged its buildings to secure for general banking facilities granted to the subsidiaries of the Company.

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

At 31 August 2017, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB155,943,000 (2016: RMB377,371,000) which are located in the PRC.

14. PREPAID LEASE PAYMENTS

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

	31/8/2017 RMB'000	31/8/2016 RMB'000
Current assets (included in deposits, prepayment and other receivables)	5,786	4,335
Non-current assets	203,591	166,165
	209,377	170,500

The prepaid lease payments represent the land use rights and are amortised on a straight-line basis over lease terms of 29 to 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At 31 August 2017 and 2016, the Group had not pledged its land use rights to banks to secure the credit facilities granted to the Group.

At 31 August 2017, the carrying value of the land use right of RMB36,872,000 (2016: RMB37,841,000) is granted by the government. The Group is legally entitled to use it for 50 years which is stated in the corresponding state-owned land use certificate. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right granted by the government.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

15. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 September 2015	26,057
Transfer to property, plant and equipment	(7,382)
At 31 August 2016	18,675
Additions	333,685
Exchange adjustments	(3,676)
At 31 August 2017	348,684
DEPRECIATION	
At 31 August 2015	9,061
Provided for the year	733
Transfer to property, plant and equipment	(2,687)
At 31 August 2016	7,107
Provided for the year	3,795
Exchange adjustments	(16)
At 31 August 2017	10,886
CARRYING VALUES	
At 31 August 2017	337,798
At 31 August 2016	11,568

The fair value of the Group's investment properties at 31 August 2017 was RMB363,582,000 (2016: RMB33,000,000). The fair value has been arrived at based on a valuation carried out by Debenham Tie Leung Limited ("DTZ") and Savills Valuation And Professional Service(S) Pte Ltd ("Savills"), the independent valuers not connected with the Group. DTZ is a member of the Hong Kong Institute of Surveyors, Savills is a member of the Singapore Institute of Valuers and Surveyors. Both DTZ and Savills are independent valuers not connected with the Group. The valuation was determined by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests. The key inputs are term capitalisation rate and market unit rent of individual unit.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

15. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Carrying value RMB'000	Level 3 Fair value RMB'000
Commercial property units located in the PRC		
At 31 August 2017	10,956	33,000
At 31 August 2016	11,568	33,000
	Carrying value RMB'000	Level 3 Fair value RMB'000
Commercial property units located in Singapore		
At 31 August 2017	326,842	330,582

The above investment properties are depreciated on a straight-line basis at 1% and 3.2% per annum.

The Group's investment properties are situated on land in the PRC and Singapore, the investment properties located in Singapore have been pledged to secure banking borrowing of the Group (Note 23).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

16. GOODWILL

RMB'000

COST AND CARRYING VALUES

At 1 September 2015 and 31 August 2016	12,399
Arising on acquisition of a subsidiary	48,065
At 31 August 2017	60,464

The goodwill arose from acquisitions of Dalian Maple Leaf Lanxi Wenyuan Preschool (“**Lanxi**”), Dalian Maple Leaf Jinhai Preschool (“**Jinhai**”), Jingzhou Maple Leaf International School (“**Jingzhou**”) and Hainan Science and Education Group Co., Ltd (subsequently renamed as Hainan Maple Leaf Science and Education Group Co., Ltd, “**Hainan Science**”), in June 2007, April 2009, August 2015 and May 2017, respectively. Goodwill arose on acquisition of subsidiaries are allocated to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	31/8/2017 RMB'000	31/8/2016 RMB'000
Cash-generating units:		
Lanxi	1,026	1,026
Jinhai	956	956
Jingzhou	10,417	10,417
Hainan Science	48,065	–
	60,464	12,399

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. During the years ended 31 August 2017 and 2016, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

16. GOODWILL (Continued)

Lanxi

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 18% (2016: 18%). Lanxi's cash flows beyond the five-year period are extrapolated using 3% (2016: 5%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed their aggregate recoverable amount of this cash-generating unit.

Jinhai

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 18% (2016: 18%). Jinhai's cash flows beyond the five-year period are extrapolated using 3% (2016: 1%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed their aggregate recoverable amount of this cash-generating unit.

Jingzhou

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 18% (2016: 18%). Jingzhou's cash flows beyond the five-year period are extrapolated using 3% (2016: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed their aggregate recoverable amount of this cash-generating unit.

Hainan Science

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 18%. Hainan's cash flows beyond the five-year period are extrapolated using 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed their aggregate recoverable amount of this cash-generating unit.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

17. PLEDGED BANK DEPOSITS

	31/8/2017 RMB'000	31/8/2016 RMB'000
Deposits pledged for banking facilities	245,000	242,000

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

Dalian Educational Group, a subsidiary of the Company, entered into a banking facility agreement with United Overseas Bank on 23 August 2016 for a banking facility granted to the Group. Bank deposits of RMB132,000,000 placed with the bank at the interest rate of 2.61% per annum is pledged with the bank for a period of four years.

Dalian High School, a subsidiary of the Company, entered into a banking facility agreement with China Merchants Bank on 20 July 2016 for a banking facility, which is secured by a pledge over Dalian High School deposits amounting to RMB110,000,000 placed with the bank at the interest rate of 2.55% per annum. The banking facility agreement was subsequently cancelled and the pledged bank deposit was released in 2017.

Dalian Educational Group, a subsidiary of the Company, entered into a banking facility agreement with Bank of China on 17 November 2016 for a banking facility granted to the Group. Bank deposits of RMB113,000,000 placed with the bank at the interest rate of 2.63% per annum is pledged with the bank for a period of two years.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/8/2017 RMB'000	31/8/2016 RMB'000
Receivable from a third party (Note)	20,319	–
Management fees receivables	14,898	6,611
Other deposits	9,579	5,366
Interest receivables	9,515	–
Prepaid rent and other prepaid expenses	5,815	11,357
Prepaid lease payments	5,786	4,335
Staff advances	970	739
Others	9,855	8,965
	76,737	37,373

Note: The receivable was guaranteed by 4,911,128 shares of the Company allotted and issued to Haikou Baifuyuan Trading Co., Ltd., the former shareholder of Hainan Science.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

19. BANK BALANCES AND CASH

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

As at 31 August 2017, the Group's bank deposits carried a weighted-average interest rate of 1.06% per annum (2016: 0.49% per annum).

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

	31/8/2017 RMB'000	31/8/2016 RMB'000
Currency:		
HK\$	119,889	38,430
Canadian dollar ("CAD")	14,674	129,801
United States dollar ("USD")	10,557	4,509
Singapore dollar ("SGD")	3,191	–
	148,311	172,740

20. DEFERRED REVENUE

	31/8/2017 RMB'000	31/8/2016 RMB'000
Tuition and boarding fees	957,263	758,990
Others	51,085	43,858
	1,008,348	802,848



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

21. OTHER PAYABLES AND ACCRUED EXPENSES

	31/8/2017 RMB'000	31/8/2016 RMB'000
Miscellaneous expenses received from students (Note)	185,127	159,107
Payables for purchase of property, plant and equipment	97,266	88,066
Deposits received from students	20,402	20,339
Accrued payroll	19,949	14,926
Other tax payables	11,740	15,705
Payables for purchase of goods	4,400	4,412
Prepayment from lessee	3,676	107
Payable for land use right	3,000	3,000
Accrued operating expenses	1,925	1,807
Others	35,144	29,503
	382,629	336,972

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

22. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on assets acquired through business combination RMB'000	Services income (Note) RMB'000	Total RMB'000
At 1 September 2015	2,417	19,171	21,588
Credit to profit or loss	(313)	–	(313)
At 31 August 2016	2,104	19,171	21,275
Credit to profit or loss	(277)	–	(277)
Acquisition of a subsidiary	20,824	–	20,824
At 31 August 2017	22,651	19,171	41,822

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

23. BORROWINGS

	31/8/2017 RMB'000
Secured bank loans	424,146
The carrying amounts of the above borrowings are repayable:	
Within one year	116,981
Within a period of more than one year but not exceeding two years	101,232
Within a period of more than two years but not exceeding five years	205,933
	424,146
Less: Amounts due within one year shown under current liabilities	(116,981)
Amounts shown under non-current liabilities	307,165

Note: During the financial year ended 31 August 2017, the Group obtained bank loans amount to RMB424,146,000 (31 August 2016: nil) which are secured by pledged deposits of RMB245,000,000 of Dalian Educational Group, mortgaged over investment property of RMB326,842,000, existing and future legal assignment of sales proceeds, rental proceeds, rental deposits and other rights of Maple Leaf Education Hillside Pte. Limited ("Maple Hillside"). The loans carry interest at variable interest rates from 1.14% to 2.77% per annum.

24. SHARE CAPITAL

	Number of shares '000	Amount USD'000	Shown in the financial statements as RMB'000
Ordinary shares of USD0.001 each			
Authorised			
At 1 September 2015, 31 August 2016 and 31 August 2017	4,000,000	4,000	
Issued and fully paid at 1 September 2015	1,359,680	1,360	8,411
Exercise of share options (Note a)	1,071	1	7
At 31 August 2016	1,360,751	1,361	8,418
Exercise of share options (Note b)	100	–	1
Issued in consideration for the acquisition of the issued share capital of a subsidiary (Note c)	18,637	19	130
At 31 August 2017	1,379,488	1,380	8,549



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

24. SHARE CAPITAL (Continued)

Notes:

- a. *During the year ended 31 August 2016, options to subscribe for 1,070,671 ordinary shares with par value of USD0.001 per share were exercised at RMB0.93 per share. These shares rank pari passu with other shares in issue in all respect.*
- b. *During the year ended 31 August 2017, options to subscribe for 100,000 ordinary shares with par value of USD0.001 per share were exercised at RMB3.90 per share. These shares rank pari passu with other shares in issue in all respect.*
- c. *On 12 May 2017, the Company issued 18,636,733 ordinary shares at par value of USD0.001 each to Hainan National Science Park Educational Management Co., Ltd and Haikou Baifuyuan Trading Co., Ltd (the “Vendors”) to acquire 47.5% equity interest in Hainan Science. At the date of acquisition, the fair value of ordinary shares was HK\$7.07 (equivalent to RMB6.26) per share. These shares rank pari passu with other shares in issue in all respect (Note 31).*

25. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

26. SHARE-BASED PAYMENTS

Share Award Scheme

The Company's restricted share units scheme was adopted pursuant to a resolution passed on 10 November 2014 and 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**”). The Share Award Scheme has become effective on 28 April 2015. Under the Share Award Scheme, the Directors may grant shares to eligible employees, including directors and its subsidiaries.

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 being awarded from the open market using cash contributed by the Company to satisfy awards made under the Share Award Scheme.

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

During the year ended 31 August 2017, the Company granted 5,490,000 (2016: 7,162,195) restricted shares under the Share Award Scheme to certain eligible employees of the Group, and 80,896 (2016: nil) restricted shares to a consultant of the Group. 5,065,896 restricted shares were vested and 74,000 (2016: 318,000) restricted shares were forfeited due to resignation of the Selected Participants during the year ended 31 August 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

Share Award Scheme (Continued)

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

Restricted shares 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
Share Award Scheme-5th	3 March 2017	27 April 2025	2,790,000	31 May 2017	4.49
Share Award Scheme-6th	3 March 2017	27 April 2025	2,352,000	31 May 2018	4.49
Share Award Scheme-7th	3 March 2017	27 April 2025	348,000	31 May 2019	4.49
Share Award Scheme-8th	13 March 2017	27 April 2025	80,896	13 March 2017	5.25

Movements of the restricted shares granted under Share Award Scheme during the year ended 31 August 2017 and 2016 are as follows:

For the financial year ended 31 August 2017

Restricted shares type	Outstanding at 1 September 2016	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 August 2017
Employees					
Share Award Scheme-2nd	2,239,000	-	(2,199,000)	(40,000)	-
Share Award Scheme-3rd	1,100,000	-	-	(20,000)	1,080,000
Share Award Scheme-5th	-	2,790,000	(2,786,000)	(4,000)	-
Share Award Scheme-6th	-	2,352,000	-	(10,000)	2,342,000
Share Award Scheme-7th	-	348,000	-	-	348,000
Consultant					
Share Award Scheme-8th	-	80,896	(80,896)	-	-
Total	3,339,000	5,570,896	(5,065,896)	(74,000)	3,770,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

Share Award Scheme (Continued)

For the financial year ended 31 August 2016

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

Pursuant to the Share Award Scheme, the vesting of the 1st, 2nd, 3rd, 5th, 6th and 7th trench of the restricted shares are subject to satisfaction of certain performance conditions. These performance conditions including targets on the Group's annual revenue and net profit excluding all exceptional and non-recurring items in the consolidated statement of profit or loss for the financial period ended 29 February 2016, the financial year ended 31 August 2016, the financial period ended 28 February 2017 and the financial year ending 31 August 2017.

The 4th trench of the restricted shares granted on 20 June 2016, fully vested on 31 July 2016 without any performance conditions.

The 8th trench of the restricted shares granted to Queenswood International Education Services Inc on 13 March 2017 for consulting services provided, fully vested immediately on the grant date.

The Group recorded share-based compensation expense of RMB23,810,000 for the year ended 31 August 2017 (2016: RMB18,114,000), in relation to the restricted shares granted by the Company under the Share Award Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

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.

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

Details of share options granted 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\$4.40.

Movements of the Company's share options granted under the Post-IPO Share Option Scheme during the financial year ended 31 August 2017 are as followings:

	Date of grant	Outstanding at 1 September 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 August 2017
Employees						
In aggregate	16 February 2016	600,000	-	200,000	100,000	300,000
Exercisable at the end of the year						100,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

Post-IPO Share Option Scheme (Continued)

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

	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.

The Group recorded share-based compensation expense of RMB258,000 for the financial year ended 31 August 2017 (2016: RMB375,000), in relation to the share options granted under the Post-IPO Share Option Scheme.

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.

In November 2014, the Company capitalised the sum of US\$906,601 (equivalent to RMB5,562,000) standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 906,600,668 shares of US\$0.001 each for allotment to the shareholders whose names appear on the register of members of the Company immediately before the listing (the "Capitalisation Issue"). The number of share options outstanding disclosed below has been retrospectively adjusted to reflect the Capitalisation Issue that became effective on 28 November 2014 (the "Listing Date").

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

Details of specific category of options granted under the Pre-IPO Share Option Scheme are as follows:

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

The outstanding share options under the Pre-IPO Share Option Scheme were 175,709 as at 31 August 2017 (2016: 176,716). No share options have been exercised during the financial year ended 31 August 2017 (2016: 1,070,671). 1,007 share options lapsed during the financial year ended 31 August 2017 (2016: nil).

Movements of the Company's share options granted under the Pre-IPO Share Option Scheme during the financial year ended 31 August 2017 and 2016 are as follows:

For the year ended 31 August 2017

Date of grant	Option type	Outstanding at 1 September 2016	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 August 2017
Executive director						
Sherman Jen	2 June 2014	Pre-IPO-3rd	2,015	-	-	2,015
Zhang Jingxia	2 June 2014	Pre-IPO-3rd	1,007	-	-	1,007
Liu Zhenwan (Note 10)	2 June 2014	Pre-IPO-3rd	1,007	(1,007)	-	-
James William Beeke	2 June 2014	Pre-IPO-3rd	671	-	-	671
Independent non-executive director						
Peter Humphrey Owen	2 June 2014	Pre-IPO-3rd	671	-	-	671
Employees and consultants						
In aggregate	1 September 2008	Pre-IPO-1st	6,782	-	-	6,782
	1 September 2009	Pre-IPO-2nd	161,574	-	-	161,574
	2 June 2014	Pre-IPO-3rd	2,989	-	-	2,989
Total			176,716	(1,007)	-	175,709
Exercisable at the end of the year						175,709



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

For the year ended 31 August 2016

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

Pursuant to the Scheme, the 1st and 2nd trench of options granted under the Pre-IPO Share Option Scheme shall be vested during the vesting period starting from the grant date (the “**vesting commencement date**”) and ending on the expiry of the vesting period in the following manner:

- (1) up to 20% of the option will be exercisable during the period from the vesting commencement date and ending on the date of expiration;
- (2) up to 40% of the option will be exercisable during the period from the first anniversary of the vesting commencement date and ending on the date of expiration;
- (3) up to 60% of the option will be exercisable during the period from the second anniversary of the vesting commencement date and ending on the date of expiration;
- (4) up to 80% of the option will be exercisable during the period from the third anniversary of the vesting commencement date and ending on the date of expiration; and
- (5) up to 100% of the option will be exercisable during the period from the fourth anniversary of the vesting commencement date and ending on the date of expiration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

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

The binomial model has been used to estimate the fair value of the options. The following variables and assumptions were used to calculate the fair value of share options granted under the Pre-IPO Share Option Scheme at respective grant date:

	Option types		
	Pre-IPO-1st	Pre-IPO-2nd	Pre-IPO-3rd
Fair value of ordinary share (RMB)	0.64	0.73	1.98
Exercise price (RMB)	0.93	0.93	0.93
Expected volatility	50%	51%	52%
Contractual option life	10	10	10
Dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	5.36%	4.43%	3.17%
Exercise multiple	2.0	2.0	2.0
Total estimated fair value of the options granted (RMB'000)	3,694	893	14,267

Note: Fair value of ordinary share and exercise price of option has been adjusted for the effect of the Capitalisation Issue.

The Group recognised the total expense of nil for the year ended 31 August 2016 and 2017 in relation to the Pre-IPO share options granted by the Company.

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

(1) Risk-free interest rate

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

(2) Dividend yield

Under the Pre-IPO Share Option Scheme, according to management, at the time of granting the share options, the Company planned to retain profit for corporate expansion and hence had no plan to distribute dividend in near future. As such, it is assumed that the dividend yield to ordinary shares during the expected life of the option should be zero.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

26. SHARE-BASED PAYMENTS (Continued)

Pre-IPO Share Option Scheme (Continued)

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

(3) Expected volatility

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

(4) Contractual option life

The option life was the original contractual term.

(5) Exercise multiple

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

(6) Exercise price

The exercise price of the option was determined by the Directors.

(7) Fair value of ordinary share

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

27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank balance and cash and equity attributable to equity holders of the Company, comprising capital, reserves and accumulated profits.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through repurchase of shares or issue of new shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/8/2017 RMB'000	31/8/2016 RMB'000
Financial assets		
Loans and receivables	1,948,883	1,488,867
Financial liabilities		
Liabilities measured at amortised cost	769,485	304,427

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivables, available-for-sale investments, bank balances and cash, restricted cash, pledged bank deposits, other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company and the Company have bank balances, other receivables, other payables and borrowings which are denominated in foreign currencies. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of reporting period are as follows:

	Liabilities		Assets	
	31/8/2017 RMB'000	31/8/2016 RMB'000	31/8/2017 RMB'000	31/8/2016 RMB'000
HK\$	107,964	4,725	120,188	38,573
SGD	325,841	–	3,191	–
CAD	5,353	–	16,657	129,801
USD	–	–	10,557	4,509
	439,158	4,725	150,593	172,883



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

28. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of USD, SGD, CAD and HK\$. The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against USD, SGD, CAD and HK\$. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation at the year end for a 5% (2016: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit before tax and decrease in investment valuation reserve where RMB strengthens 5% against USD, SGD, CAD and HK\$. For a 5% (2016: 5%) weakening of RMB against USD, SGD, CAD and HK\$, there would be an equal and opposite impact on the profit and investment valuation reserve, and the balances below would be negative.

	2017 RMB'000	2016 RMB'000
Profit or loss related to USD	528	225
Profit or loss related to SGD	(16,133)	–
Profit or loss related to CAD	565	6,490
Profit or loss related to HK\$	611	1,685

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (see note 17 for details of these deposits). The Group is also exposed to cash flow interest rate risk through the impact of interest rate changes on interest bearing financial assets and liabilities, mainly bank balances, cash, restricted cash and borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate bank balances, restricted cash and borrowings. If interest rates had been 5 basis points higher/lower and all other variables were held consistent, the Group's post-tax profit for the year ended 31 August 2017 would increase/decrease by RMB1,180,000 (2016: increase/decrease by RMB580,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

28. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

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

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

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

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The interest rates as at the end of the reporting period are used for the cash flow calculation in relation to variable rate interest bearing financial liabilities.

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	3-4 years RMB'000	4-5 years RMB'000	undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non derivative financial liabilities								
Other payables	-	345,339	-	-	-	-	345,339	345,339
Variable rates interest borrowings	2.44%	125,845	111,856	10,041	9,915	192,364	450,021	424,146
At 31 August 2017		471,184	111,856	10,041	9,915	192,364	795,360	769,485
Non derivative financial liabilities								
Other payables	-	304,427	-	-	-	-	304,427	304,427
At 31 August 2016		304,427	-	-	-	-	304,427	304,427



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	1 September 2016 RMB'000	Interest accrued RMB'000	Financing cash flows RMB'000	31 August 2017 RMB'000
Bank loans	–	–	424,146	424,146
Interest payable	–	7,957	(7,957)	–

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 6 September 2016, the Group acquired 100% of the issued share capital of Lucrum Development (Singapore) Pte. Limited (subsequently renamed as Maple Hillside) for the consideration of SGD67,303,000 (equivalent to approximately RMB330,833,000) from an independent third party. The total consideration was fully paid by cash during the year. As the principal asset of Maple Hillside is a property located at 11 Hillside Drive in Singapore and leased to an independent third party K-12 school operator, which is held as an investment property by Maple Hillside, the transaction was accounted for as asset acquisition.

Acquisition-related costs amounting to SGD367,838.63 (equivalent to approximately RMB1,802,000) have been excluded from the consideration transferred and have been recognised as an expense during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

31. ACQUISITION OF A SUBSIDIARY

On 12 May 2017, the Group acquired 52.4% of the issued share capital of Hainan Science. The acquisitions has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB48,065,000. Hainan Science is principally engaged in the operation of a K-12 boarding school located in Haikou City of Hainan Province (subsequently renamed as Hainan Maple Leaf International School), which is a private non-enterprise organisation wholly-owned by Hainan Science.

Consideration transferred:

	RMB'000
Cash	7,497
Equity instruments issued	116,620
	<u>124,117</u>

As part of the consideration for the acquisition of Hainan Science, 18,636,733 ordinary shares with par value of USD0.001 each were issued, the amount of ordinary shares issued was determined based on the price of HK\$4.732 per share on the date of the acquisition agreement. The fair value of the ordinary shares issued were determined using the acquisition date share price, amounted to HK\$131,762,000 (equivalent to approximately RMB116,620,000).

Acquisition-related costs amounting to RMB200,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 August 2017.

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

	RMB'000
Bank balances and cash	3,783
Deposit, prepayments and other receivables	27,849
Property, plant and equipment	123,088
Prepaid lease payment	37,800
Other intangible assets	7,300
Deferred revenue	(16,301)
Other payables and accrued expenses	(17,559)
Deferred tax liabilities	(20,824)
	<u>145,136</u>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

31. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	124,117
Add: Non-controlling interests (47.6%)	69,084
Less: Fair value of identifiable net assets acquired	<u>(145,136)</u>
Goodwill arising on acquisition	<u>48,065</u>

The non-controlling interests in Hainan Science recognised at the acquisition date was measured at their proportionate share of net assets acquired.

Goodwill arose in the acquisition of Hainan Science because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the geographic location, networking effect as a result of synergy from the acquisition, growth prospect through increased sales volume and improved market position, and the assembled workforce of Hainan Science. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Hainan Science:

	RMB'000
Consideration paid in cash	7,497
Less: cash and cash equivalent balances acquired	<u>(3,783)</u>
	<u>3,714</u>

Included in the profit for the year is RMB7,363,000 attributable to the additional business generated by Hainan Science. Revenue for the year includes RMB16,917,000 generated from Hainan Science

Had the acquisition been completed on 1 September 2016, total group revenue for the year would have been RMB1,114,882,000, and profit for the year would have been RMB421,838,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2016, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Hainan Science been acquired at the beginning of the current year, the Directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

32. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the financial year:

	2017 RMB'000	2016 RMB'000
Premises	8,066	4,331

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

	31/8/2017 RMB'000	31/8/2016 RMB'000
Within one year	6,485	4,555
In the second to fifth year inclusive	13,571	6,648
Over five years	13,734	4,205
	33,790	15,408

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

The Group as lessor

Property rental income earned during the year was RMB14,124,000 (2016: RMB2,761,000). The properties are expected to generate rental yields of 4% (2016: 15%) based on the cost on an ongoing basis. Certain of the properties held have committed tenants for the next four years.

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

	31/8/2017 RMB'000	31/8/2016 RMB'000
Within one year	15,071	2,004
In the second to fifth year inclusive	28,192	628
	43,263	2,632



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

33. CAPITAL COMMITMENTS

	31/8/2017 RMB'000	31/8/2016 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	98,307	42,378

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

34. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel

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

	2017 RMB'000	2016 RMB'000
Short-term benefits	14,844	13,518
Post-employment benefits	48	45
Share-based payments	309	4,126
	15,201	17,689

35. 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.

In December 2016 Zhixin took out an application for summary judgment against the Company. The hearing of the summary judgment application took place on 25 October 2017 in which Zhixin’s application was dismissed. The case now proceeds to the main trial stage.

Based on information currently available to the Company, it is not possible to estimate the financial effect of the Zhixin Case. As of 31 August 2017, the Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/8/2017 RMB'000	31/8/2016 RMB'000
Non-Current Assets		
Investments in subsidiaries	192,696	192,696
Amounts due from subsidiaries	476,608	401,317
Property, plant and equipment	52	63
	669,356	594,076
Current Assets		
Deposit, prepayments and other receivables	299	143
Bank balances and cash	145,094	178,784
	145,393	178,927
Current Liabilities		
Other payables and accrued expenses	6,753	4,747
Amounts due to subsidiaries	12,908	17,339
	19,661	22,086
Net Current Assets	125,732	156,841
Total Assets Less Current Liabilities	795,088	750,917
Capital and Reserves		
Share capital (Note 24)	8,549	8,418
Reserves (Note)	685,307	742,499
	693,856	750,917
NON-CURRENT LIABILITIES		
Borrowings	101,232	-
	101,232	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

Movement in reserves is as follows:

	Share premium RMB'000	Investment valuation reserve RMB'000	Share held for restricted share award scheme RMB'000	Share-based payment reserve RMB'000	Retained profits (accumulated losses) RMB'000	Total RMB'000
At 1 September 2015	1,234,655	(6,117)	(58,982)	1,183	(340,853)	829,886
Profit for the year	–	–	–	–	12,331	12,331
Other comprehensive income for the year	–	6,117	–	–	–	6,117
Total comprehensive income for the year	–	6,117	–	–	12,331	18,448
Transfer from share premium to accumulated losses (Note a)	(340,853)	–	–	–	340,853	–
Share-based payments	–	–	–	18,489	–	18,489
Dividends recognised as distribution	(127,892)	–	–	–	–	(127,892)
Dividends distribute to the restricted share award scheme	2,574	–	–	–	–	2,574
Exercise of share options	2,110	–	–	(1,116)	–	994
Shares vested under restricted share award scheme	–	–	6,651	(14,034)	7,383	–
At 31 August 2016	770,594	–	(52,331)	4,522	19,714	742,499
Loss for the year	–	–	–	–	(57,689)	(57,689)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(57,689)	(57,689)
Issuance of ordinary shares (Note 24)	116,490	–	–	–	–	116,490
Share-based payments	–	–	–	24,068	–	24,068
Dividends recognised as distribution	(142,901)	–	–	–	–	(142,901)
Dividends distribute to the restricted share award scheme	2,451	–	–	–	–	2,451
Exercise of share options	590	–	–	(201)	–	389
Shares vested under restricted share award scheme	–	–	9,614	(20,779)	11,165	–
At 31 August 2017	747,224	–	(42,717)	7,610	(26,810)	685,307

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2017	2016	
Maple BVI	28 April 1992 BVI	USD500,000	100%	100%	Investment holding
Dalian High School 大連楓葉國際學校	15 April 1996 The PRC	USD5,000,000	100%	100%	High school education
Tech Global Investment Limited ("HK Tech")	7 June 2007 Hong Kong	HK\$5,000,000	100%	100%	Investment holding
Beipeng Software 大連北鵬教育軟件開發有限公司	10 March 2008 The PRC	USD53,400,000	100%	100%	Technical support
Maple Leaf Asia Pacific Limited ("Maple Asia")	10 February 2009 Hong Kong	HK\$10,000,000	100%	100%	Investment holding
Dalian Maple Leaf International School (Middle School and Elementary School) 大連楓葉國際學校(民辦初中、小學)	3 September 1996 The PRC	RMB8,500,000	100%	100%	Middle and elementary school education
Dalian Science and Education 大連楓葉科教有限公司	9 January 2003 The PRC	RMB8,500,000	100%	100%	Investment holding
Dalian Educational Group 大連楓葉教育集團有限公司	23 May 2003 The PRC	RMB140,000,000	100%	100%	Investment holding
Dalian Foreign School 大連楓葉外籍人員子女學校 (Note ii)	31 August 2005 The PRC	nil	100%	100%	Education-related services
Dalian Maple Leaf Qianshan Xincheng Preschool 大連楓葉千山心城幼兒園	22 September 2005 The PRC	RMB200,000	100%	100%	Preschool education
Shenyang Maple Leaf International School ("Shenyang Maple") (Note i) 瀋陽楓葉國際學校	14 December 2005 The PRC	N/A	N/A	N/A	Inactive and deregistered



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2017	2016	
Wuhan Foreign School 武漢楓葉外籍人員子女學校(Note ii)	9 December 2006 The PRC	nil	100%	100%	Education-related services
Dalian Maple Leaf Fengqiao Preschool 大連楓葉楓橋園幼兒園	31 August 2006 The PRC	RMB200,000	100%	100%	Preschool education
Dalian Maple Leaf Lanxi Wenyuan Preschool 大連楓葉蘭溪文苑幼兒園	1 June 2007 The PRC	RMB200,000	100%	100%	Preschool education
Wuhan Maple Leaf International School 武漢楓葉國際學校	26 June 2007 The PRC	RMB21,303,454	100%	100%	High school education
Dalian Maple Leaf Sunshine Preschool 大連楓葉陽光月秀幼兒園	24 March 2008 The PRC	RMB500,000	100%	100%	Preschool education
Dalian Maple Leaf Jiabao Preschool 大連楓葉佳寶幼兒園	24 April 2008 The PRC	RMB200,000	100%	100%	Preschool education
Tianjin Teda Maple Leaf International School 天津泰達楓葉國際學校	1 September 2008 The PRC	RMB8,000,000	100%	100%	High, middle and elementary school education
Dalian Maple Leaf Jinhai Preschool 大連楓葉金海幼兒園	1 April 2009 The PRC	RMB100,000	100%	100%	Preschool education
Dalian Maple Leaf Xiangzhou Preschool 大連沙河口楓葉香洲心城幼兒園	10 April 2009 The PRC	RMB200,000	100%	100%	Preschool education
Chongqing Maple Leaf International School 重慶楓葉國際學校	25 June 2009 The PRC	RMB43,500,000	100%	100%	High, middle, elementary school and preschool education
Dalian Maple Leaf Kaifaqu Preschool 大連開發區楓葉幼兒園	10 December 2009 The PRC	RMB200,000	100%	100%	Preschool education

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2017	2016	
Wuhan Maple Leaf School 武漢楓葉學校	24 June 2010 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf Xianghe Huayuan Preschool 大連市甘井子區楓葉祥和花園幼兒園	3 December 2010 The PRC	RMB200,000	100%	100%	Preschool education
Dalian Maple Leaf Zhonghua Mingcheng Preschool 大連西崗楓葉中華名城幼兒園	10 June 2011 The PRC	RMB500,000	100%	100%	Preschool education
Zhenjiang Maple Leaf International School 鎮江楓葉國際學校	21 June 2011 The PRC	RMB10,000,000	100%	100%	High, middle and elementary school education
Henan Maple Leaf International School 河南楓葉國際學校	26 April 2012 The PRC	RMB2,010,000	100%	100%	High, middle and elementary school education
Inner Mongolia Ordos Maple Leaf International School 內蒙古鄂爾多斯楓葉國際學校	26 April 2012 The PRC	RMB30,000	100%	100%	Middle and elementary school education
Mapleleaf International Academy (Korea)	27 April 2012 The Republic of Korea	Korea won 1,500,000,000	100%	100%	Education related services
Inner Mongolia Ordos Maple Leaf The First Preschool 楓葉第壹幼兒園	17 May 2012 The PRC	RMB30,000	100%	100%	Preschool education
Shanghai Maple Leaf International School 上海楓葉國際學校	20 March 2013 The PRC	RMB5,000,000	100%	100%	High and middle school education
Pingdingshan Maple Leaf International School 平頂山楓葉國際學校	20 January 2014 The PRC	RMB1,000,000	100%	100%	Middle and elementary school education



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2017	2016	
Tianjin Huayuan Maple Leaf International School 天津華苑楓葉國際學校	11 September 2014 The PRC	RMB4,000,000	100%	100%	Middle and elementary school education
Pingdingshan Maple Leaf International School affiliated preschool 平頂山楓葉國際學校附屬幼兒園	3 November 2014 The PRC	RMB100,000	100%	100%	Preschool education
Zhejiang Yiwu Maple Leaf International School 浙江義烏楓葉國際學校	30 March 2015 The PRC	RMB500,000	100%	100%	High school education
Yiwu Maple Leaf International School affiliated School 義烏楓葉國際學校附屬學校	6 November 2014 The PRC	RMB500,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf International Travel Agency Co Ltd. 大連楓葉國際旅行社有限公司	27 March 2015 The PRC	RMB3,000,000	100%	100%	Vacation cultural exchange and overseas study services
Dalian Maple Leaf Stationery Co., Ltd. 大連楓葉文化用品有限公司	27 March 2015 The PRC	RMB500,000	100%	100%	Stationery sales related services
Dalian Maple Leaf Red Supermarket Co., Ltd. 大連楓葉紅超市有限公司	29 April 2015 The PRC	RMB2,000,000	100%	100%	Retail business
Jingzhou Maple Leaf International School 荊州楓葉國際學校	15 July 1998 The PRC	RMB30,000,000	100%	100%	High, middle and elementary school education
Dalian Maple Leaf Catering Co., Ltd. 大連楓葉餐飲服務有限公司	26 May 2015 The PRC	RMB1,000,000	100%	100%	Catering services
Zhejiang Yiwu Maple Leaf International School affiliated preschool 浙江義烏楓葉國際學校附屬幼兒園	29 May 2015 The PRC	RMB500,000	100%	100%	Preschool education

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2017	2016	
Dalian Maple Leaf Science and Education. Industrial Group Co., Ltd 大連楓葉科教產業集團有限公司	28 July 2015 The PRC	RMB50,000,000	100%	100%	Education related services
Dalian Maple Leaf Spring Water Co., Ltd. 大連楓葉泉飲料有限公司	4 August 2015 The PRC	RMB500,000	100%	100%	Water sales related services
Dalian Maple Leaf Red Clothing Co., Ltd. 大連楓葉紅服裝有限公司	26 August 2015 The PRC	RMB100,000	100%	100%	Clothing related services
Pinghu Maple Leaf International School 平湖楓葉國際學校	2 September 2015 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Tianjin Maple Leaf Zhonghua Teda Preschool 天津經濟技術開發區楓葉幼稚園	6 April 2016 The PRC	RMB1,500,000	100%	100%	Preschool education
Maple Leaf Education North America Holdings Limited ("Maple NA")	26 January 2016 BVI	USD50,000	100%	100%	Investment holding
Maple Leaf Education North America Limited (Note viii)	4 February 2016 Canada	nil	100%	100%	Education related services
Huaian Enlai Maple Leaf International School 淮安恩來楓葉國際學校	18 March 2016 The PRC	RMB2,000,000	100%	100%	Middle and elementary school education
Dalian Maple Leaf Red Construction Project Co., Ltd. 大連楓葉紅建設工程有限公司	19 March 2016 The PRC	RMB50,000,000	100%	100%	Construction services
Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd. 大連楓葉夢建築設計院有限公司	19 March 2016 The PRC	RMB8,000,000	100%	100%	Construction services



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2017	2016	
Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd. 大連北鵬工程監理有限公司	24 March 2016 The PRC	RMB1,000,000	100%	100%	Construction services
Xian Maple Leaf International School 西鹹新區空港楓葉國際學校	7 April 2016 The PRC	RMB2,000,000	100%	100%	High, middle and elementary school education
Dalian Maple Leaf Red Project Management Co., Ltd. 大連楓葉紅工程項目管理有限公司	30 June 2016 The PRC	RMB20,000,000	100%	100%	Construction services
Yiwu Maple Leaf Foreign National school 義烏楓葉外籍人員子女學校(Note ii and iii)	1 May 2016 The PRC	RMB500,000	100%	100%	Education related services
Maple Leaf Education Singapore Holdings Limited	9 August 2016 BVI	USD50,000	100%	100%	Investment holding
Shijiazhuang Duobang Crystal Stone Co., Ltd. 石家莊多邦晶崗石有限公司(Note iii)	26 November 2013 The PRC	RMB500,000	100%	N/A	Construction services
Maple Leaf Education Hillside Pte. Ltd (Note iii)	16 August 2011 Singapore	SGD 100,000	100%	N/A	Education related services
Maple Leaf Educational Tours and Services Ltd. 楓葉教育旅遊服務有限公司 (Note iii) (Note viii)	13 October 2016 Canada	nil	100%	N/A	Education related services
Dalian Maple Leaf Jinshitan Preschool 大連金普新區金石灘楓葉幼稚園 (Note iii)	18 November 2016 The PRC	RMB200,000	100%	N/A	Preschool education
Hainan Science 海南楓葉科教集團有限公司(Note iii)	28 June 1994 The PRC	RMB50,000	100%	N/A	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interests and voting power held by the Group		Principal activities
			As at 31 August 2017	2016	
Hainan Maple Leaf International School 海南楓葉國際學校 (Note iii)	24 January 1994 The PRC	RMB37,500	100%	N/A	High, middle and elementary school education
Yancheng Maple Leaf International School 鹽城楓葉國際學校 (Note iii)	2 March 2017 The PRC	RMB30,000	100%	N/A	Elementary school education
Huzhou Maple Leaf International School 湖州楓葉國際學校 (Note iii)	23 March 2017 The PRC	RMB2,000,000	100%	N/A	Middle and elementary school education
Liangping Maple Leaf International School 重慶市梁平楓葉國際學校 (Note iii)	1 March 2017 The PRC	RMB500,000	100%	N/A	Middle and elementary school education
Weifang Maple Leaf International School 濰坊楓葉國際學校 (Note iii)	13 March 2017 The PRC	RMB500,000	100%	N/A	Middle and elementary school education
Liangping Maple Leaf International Preschool 重慶市梁平楓葉國際學校附屬幼稚園 (Note iii)	23 March 2017 The PRC	RMB30,000	100%	N/A	Preschool education



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 August 2017

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

- (i) *Shenyang Maple has been inactive since establishment. Capital injection has not been completed since establishment. Its license to provide educational service expired on November 23, 2010 and its private non-enterprise registration certificate expired on December 13, 2011.*
- (ii) *The registered capital of Dalian Foreign School and Wuhan Foreign School are nil as there is no capital requirement for foreign schools under the PRC laws and regulations.*
- (iii) *These subsidiaries were established or acquired by the Group during the year ended 31 August 2017.*
- (iv) *Except for HK Tech, Maple Asia, Maple BVI and Maple NA which are directly held by the Company, all subsidiaries are indirectly held by the Company.*
- (v) *The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these subsidiaries are in Chinese.*
- (vi) *Except for Dalian High School, Beipeng Software, Dalian Maple Leaf International Travel Agency Co., Ltd., Dalian Maple Leaf Stationery Co., Ltd., Dalian Maple Leaf Red Supermarket Co., Ltd., Dalian Maple Leaf Catering Co., Ltd., Dalian Maple Leaf Science and Education Industrial Group. Co., Ltd, Dalian Maple Leaf Spring Water Co., Ltd., Dalian Maple Leaf Red Clothing Co., Ltd., Dalian Maple Leaf Red Project Management Co., Ltd., Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd., Dalian Maple Leaf Red Construction Project Co., Ltd., Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd. and Shijiazhuang Duobang Crystal Stone Co., Ltd. all subsidiaries established in the PRC are controlled by the Group through the contractual arrangements, details of which are set out in Note 1.*
- (vii) *The legal forms of Beipeng Software, Dalian Educational Group, Dalian Science and Education, Dalian Maple Leaf International Travel Agency Co., Ltd., Dalian Maple Leaf Stationery Co., Ltd., Dalian Maple Leaf Red Supermarket Co., Ltd., Dalian Maple Leaf Catering Co., Ltd., Dalian Maple Leaf Science and Education Industrial Group. Co., Ltd, Dalian Maple Leaf Spring Water Co., Ltd., Dalian Maple Leaf Red Clothing Co., Ltd., Dalian Maple Leaf Red Project Management Co., Ltd., Dalian Maple Leaf Beipeng Engineering Supervision Co., Ltd., Dalian Maple Leaf Red Construction Project Co., Ltd., Dalian Maple Leaf Dream Architectural Design Institute Co., Ltd, Shijiazhuang Duobang Crystal Stone Co., Ltd. and Hainan Science were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools, including high schools, middle schools, elementary schools and preschools.*
- (viii) *The registered capital of these subsidiaries are nil as there is no capital requirement under the Local laws and regulations.*
- (ix) *None of the subsidiaries have issued any debt securities at the end of reporting period.*