

## APPENDIX I

## ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of inclusion in this [REDACTED], received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

**Deloitte.**  
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[Date]

The Directors  
China Maple Leaf Educational Systems Limited  
[REDACTED]

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to China Maple Leaf Educational Systems Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended August 31, 2013 and the six months ended February 28, 2014 (the “Relevant Periods”) for inclusion in the [REDACTED] of the Company dated [●] (the “[REDACTED]”) in connection with the [REDACTED].

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on June 5, 2007.

At the end of each reporting period and at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group						Principal activities
			As at August 31,			As at February 28,		Date of this report	
			2011	2012	2013	2014			
Maple Leaf Educational Systems Limited (“Maple BVI”)	April 28, 1992 British Virgin Islands (“BVI”)	United States Dollars (“USD”) 500,000	100%	100%	100%		100%	100%	Investment holding
Dalian Maple Leaf International School (“Dalian Maple Leaf High School”) 大連楓葉國際學校 (Note iii)	April 15, 1996 The People’s Republic of China (the “PRC”)	USD5,000,000	100%	100%	100%		100%	100%	High school education
Tech Global Investment Limited (“HK Tech”)	June 7, 2007 Hong Kong	Hong Kong Dollars (“HK\$”) 5,000,000	100%	100%	100%		100%	100%	Investment holding
Dalian Beipeng Educational Software Development Inc. (“Beipeng Software”) 大連北鵬教育軟件開發有限公司	March 10, 2008 The PRC	USD20,000,000	100%	100%	100%		100%	100%	Technical support
Hong Kong Maple Leaf Educational Systems Limited (“Maple HK”)	February 10, 2009 Hong Kong	HK\$10,000,000	100%	100%	100%		100%	100%	Investment holding
Dalian Maple Leaf International School (Dalian Middle School and Elementary School) (“Dalian Junior”)(Note iii) 大連楓葉國際學校（民辦初中、小學）	September 3, 1996 The PRC	RMB8,500,000	100%	100%	100%		100%	100%	Middle and elementary school education
Dalian Maple Leaf Educational Group Co., Ltd. (“Dalian Educational Group”) 大連楓葉教育集團有限公司	May 23, 2003 The PRC	RMB140,000,000	100%	100%	100%		100%	100%	Investment holding
Dalian Maple Leaf Foreign National School (“Dalian Foreign School”) (Note ii) 大連楓葉外籍人員子女學校	August 31, 2005 The PRC	nil	100%	100%	100%		100%	100%	Education-related services

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Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group						Principal activities
			As at August 31,			As at February 28,	Date of this report		
			2011	2012	2013	2014			
Wuhan Maple Leaf Foreign National School (“Wuhan Foreign School”) (Note ii) 武漢楓葉外籍人員子女學校	December 9, 2006 The PRC	nil	100%	100%	100%		100%	100%	Education-related services
Dalian Maple Leaf Science and Education Co., Ltd (“Dalian Science and Education”) 大連楓葉科教有限公司	January 9, 2003 The PRC	RMB8,500,000	100%	100%	100%		100%	100%	Investment holding
Shenyang Maple Leaf International School (“Shenyang Maple”) (Note i) 瀋陽楓葉國際學校	December 14, 2005 The PRC	N/A	100%	N/A	N/A		N/A	N/A	Inactive and deregistered
Dalian Maple Leaf Fengqiao Preschool (“Fengqiao”) (Note ix) 大連楓葉楓橋園幼兒園	August 31, 2006 The PRC	RMB200,000	100%	100%	100%		100%	100%	Preschool education
Dalian Maple Leaf Lanxi Wenyuan Preschool (“Lanxi”) (Note ix) 大連楓葉蘭溪文苑幼兒園	June 1, 2007 The PRC	RMB200,000	100%	100%	100%		100%	100%	Preschool education
Dalian Maple Leaf Qianshan Xincheng Preschool (“Qianshan”) 大連楓葉千山心城幼兒園	September 22, 2005 The PRC	RMB200,000	100%	100%	100%		100%	100%	Preschool education
Wuhan Maple Leaf International School (“Wuhan Maple”) 武漢楓葉國際學校	June 26, 2007 The PRC	RMB 21,303,454	100%	100%	100%		100%	100%	High school education
Dalian Maple Leaf Sunshine Preschool (“Yuexiu”) 大連楓葉陽光月秀幼兒園	March 24, 2008 The PRC	RMB500,000	100%	100%	100%		100%	100%	Preschool education
Dalian Maple Leaf Jiabao Preschool (“Jiabao”) (Note ix) 大連楓葉佳寶幼兒園	April 24, 2008 The PRC	RMB200,000	100%	100%	100%		100%	100%	Preschool education
Dalian Maple Leaf Jinhai Preschool (“Jinhai”) (Note ix) 大連楓葉金海幼兒園	April 1, 2009 The PRC	RMB100,000	100%	100%	100%		100%	100%	Preschool education
Dalian Maple Leaf Xiangzhou Preschool (“Xiangzhou”) 大連沙河口楓葉香洲心城幼兒園	April 10, 2009 The PRC	RMB200,000	100%	100%	100%		100%	100%	Preschool education
Tianjin Taida Maple Leaf International School (“Tianjin Taida Maple”) 天津泰達楓葉國際學校	September 1, 2008 The PRC	RMB 8,000,000	100%	100%	100%		100%	100%	High, middle and elementary school education
Chongqing Maple Leaf International School (“Chongqing Maple”) 重慶楓葉國際學校	June 25, 2009 The PRC	RMB 43,500,000	100%	100%	100%		100%	100%	High and middle school education
Dalian Maple Leaf Kaifu Preschool (“Kaifu”) 大連開發區楓葉幼兒園	December 10, 2009 The PRC	RMB200,000	100%	100%	100%		100%	100%	Preschool education
Wuhan Maple Leaf School (“Wuhan Junior”) 武漢楓葉學校 (原名為"武漢楓葉初級中學")	June 24, 2010 The PRC	RMB 2,000,000	100%	100%	100%		100%	100%	Middle and elementary school education
Dalian Maple Leaf Xianghe Huayuan Preschool (“Xianghe”) 大連市甘井子區楓葉祥和花園幼兒園	December 3, 2010 The PRC	RMB200,000	100%	100%	100%		100%	100%	Preschool education

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Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group						Principal activities
			As at August 31,			As at February 28,	Date of this report		
			2011	2012	2013	2014			
Dalian Maple Leaf Zhonghua Mingcheng Preschool (“Mingcheng”) 大連西崗楓葉中華名城幼兒園	June 10, 2011 The PRC	RMB500,000	100%	100%	100%		100%	100%	Preschool education
Zhenjiang Maple Leaf International School (“Zhenjiang Maple”) 鎮江楓葉國際學校	June 21, 2011 The PRC	RMB 10,000,000	100%	100%	100%		100%	100%	High, middle and elementary school education
Henan Maple Leaf International School (“Henan Maple”) 河南楓葉國際學校	April 26, 2012 The PRC	RMB 2,010,000	N/A	100%	100%		100%	100%	High, middle and elementary school education
Inter Mongolia Erdos Maple Leaf International School (“Erdos Maple”) 內蒙古鄂爾多斯楓葉國際學校	April 26, 2012 The PRC	RMB30,000	N/A	100%	100%		100%	100%	Middle and elementary school education
Mapleleaf International Academy (“Maple Korea”) (Note vi)	April 27, 2012 The Republic of Korea (the “Korea”)	Korea won (“KWR”) 1,500,000,000	N/A	100%	100%		100%	100%	Education related services
Inter Mongolia Erdos Maple Leaf The first Preschool (“Erdos Preschool”) 楓葉第一幼兒園	May 17, 2012 The PRC	RMB30,000	N/A	100%	100%		100%	100%	Preschool education
Shanghai Maple Leaf International School (“Shanghai Maple”) 上海楓葉國際學校	March 20, 2013 The PRC	RMB 5,000,000	N/A	N/A	100%		100%	100%	High and middle school education
Pingdingshan Maple Leaf International School (“Pingdingshan Maple”) 平頂山楓葉國際學校	January 20, 2014 The PRC	RMB 1,000,000	N/A	N/A	N/A		100%	100%	Middle and elementary school education

- (i) Shenyang Maple has been inactive since establishment. Capital injection has not been completed since establishment. Its license to provide educational service expired on November 23, 2010 and its private non-enterprise registration certificate expired on December 13, 2011.
- (ii) The registered capital of Dalian Foreign School and Wuhan Foreign School is nil as there is no capital requirement for foreign schools under the PRC laws and regulations.
- (iii) Dalian Junior obtained the approval from Dalian Education Committee in September 1996, stating that Dalian Junior provides educational service of middle school and elementary school in the form of combination with Dalian Maple Leaf High School. Dalian Junior obtained its own private non-enterprise registration certificate on July 17, 2013 and it was accounted for together with Dalian Maple Leaf High School till then.
- (iv) Except for HK Tech, Maple HK and Maple BVI which are directly held by the Company, all subsidiaries are indirectly held by the Company.
- (v) The English names of the subsidiaries established in the PRC are for identification purpose only. The official names of these companies are in Chinese.
- (vi) Maple Korea was formed by Dalian Maple Leaf High School in the Korea in April 2012 providing education related services in Korea.
- (vii) Except for Dalian Maple Leaf High School and Beipeng Software, all subsidiaries established in the PRC are controlled by the Group through the contractual arrangements, details of which are set out in note 1 of the Section A below.
- (viii) The legal forms of Beipeng Software, Dalian Educational Group and Dalian Science and Education were limited liability companies incorporated in the PRC. All other entities established in the PRC are schools not requiring for reasonable returns, including high schools, middle schools, elementary schools and preschools.
- (ix) Fengqiao, Lanxi, Jiabao and Jinhai were acquired from independent third parties on August 31, 2006, June 1, 2007, April 24, 2008 and April 1, 2009, respectively.

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The Company’s financial year end date is August 31, which is consistent with the school year. Except for Maple BVI, HK Tech, Maple HK and Maple Korea that have a financial year end of August 31, all subsidiaries have a financial year end of December 31.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiaries	Financial year/ period ended	Name of auditors
Dalian Maple Leaf High School	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Beipeng Software	December 31, 2010	Dalian Ding Xin CPA Ltd.* (大連鼎鑫會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Dalian Educational Group	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Dalian Foreign School	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Dalian Science and Education	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
Fengqiao	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Lanxi	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Qianshan	December 31, 2010	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2011	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2012	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)
	December 31, 2013	Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)

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Name of subsidiaries	Financial year/ period ended	Name of auditors
Yuexiu	December 31, 2010 December 31, 2011 December 31, 2012 December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Jiabao	December 31, 2010 December 31, 2011 December 31, 2012 December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Jinhai	December 31, 2010 December 31, 2011 December 31, 2012 December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Xiangzhou	December 31, 2010 December 31, 2011 December 31, 2012 December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Tianjin Taida Maple	December 31, 2010 December 31, 2011 December 31, 2012 December 31, 2013	Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司) Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司) Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司) Tianjin Jun Tian CPA Ltd.* (天津市君天會計師事務所有限公司)
Kaifaqu	December 31, 2010 December 31, 2011 December 31, 2012 December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Wuhan Junior	From June 24, 2010 to December 31, 2010 December 31, 2011 December 31, 2012 December 31, 2013	Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司) Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司) Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司) Wuhan Hong Xin CPA Ltd.* (武漢宏信會計師事務所有限公司)
Xianghe	December 31, 2011 December 31, 2012 December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Mingcheng	From June 10, 2011 to December 31, 2011 December 31, 2012 December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司) Dalian Yong Jia CPA Ltd.* (大連永佳會計師事務所有限公司)
Zhenjiang Maple	December 31, 2013	Jiangsu GongZheng Tianye CPA LLP.Zhenjiang* (江蘇公證天業 會計師事務所(特殊普通合夥)鎮江分所)
Henan Maple	From April 26, 2012 to December 31, 2012	Luo Yang Xin De CPA Ltd.* (洛陽市信德會計師事務所)

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Name of subsidiaries	Financial year/ period ended	Name of auditors
Erdos Maple	From April 26, 2012 to December 31, 2012	Erdos Jin Tian Ping United CPA Ltd.* (鄂爾多斯金天平聯合 會計師事務所)
Erdos Preschool	From May 17, 2012 to December 31, 2012	Erdos Jin Tian Ping United CPA Ltd.* (鄂爾多斯金天平聯合 會計師事務所)
Shanghai Maple	From March 20, 2013 to December 31, 2013	Shanghai Yin Hu CPA Ltd.* (上海銀滙會計師事務所)
Dalian Junior (Note x)	From July 17, 2013 to December 31, 2013	Dalian Hua Sheng CPA Ltd.* (大連華晟會計師事務所有限公司)

\* The English name is for identification purpose only.

(x) No audited financial statements have been prepared for the years ended December 31, 2011 and 2012 due to reasons set out in note (iii) above.

According to the Law for Promoting Private Education, the private schools should engage external auditors to issue audit report for each fiscal year. Wuhan Foreign School, Wuhan Maple and Chongqing Maple have not engaged an auditor to issue statutory financial statements for the years ended December 31, 2010, 2011, 2012 and 2013 and Zhenjiang Maple has not engaged an auditor to issue statutory financial statements for the period from June 21, 2011 to December 31, 2011 and for the year ended December 31, 2012 since local authorities did not ask for audited financial statements of these entities during the annual inspection of the school licenses of these entities.

No statutory financial statements were prepared for Shenyang Maple and Maple Korea as they were inactive during the Relevant Periods since their respective date of establishment.

No statutory financial statements for the period from December 3, 2010 to December 31, 2010 were prepared for Xianghe as it was newly established in December 2010.

No statutory financial statements have been prepared for Pingdingshan Maple since its dates of establishment as it was newly established in January 2014.

No statutory financial statements have been prepared for Henan Maple, Erdos Maple and Erdos Preschool for the year ended December 31, 2013 as of date of this report.

No statutory audited financial statements have been prepared for the Company and Maple BVI as they were incorporated in jurisdictions where there are no statutory audit requirements.

HK Tech and Maple HK have not engaged an auditor to audit the statutory financial statements for the years ended August 31, 2011, 2012 and 2013.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) (the “Underlying Financial Statements”).



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We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “[REDACTED] and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the preparation of this report for inclusion in the [REDACTED].

The directors of the Company are responsible for preparing the Underlying Financial Statements and the contents of the [REDACTED] in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at August 31, 2011, 2012 and 2013 and February 28, 2014 and of the consolidated results and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended February 28, 2013 together with the notes thereon have been extracted from the Group’s unaudited consolidated financial statements for the same period (the “February 28, 2013 Financial Information”) which were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the February 28, 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the February 28, 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the February 28, 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the February 28, 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conforms with IFRSs.

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### A. FINANCIAL INFORMATION

#### Consolidated Statements of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended August 31,			Six months ended February 28,	
		2011	2012	2013	2013	2014
		RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Revenue . . . . .	5	346,091	413,459	471,219	209,848	242,924
Cost of revenue . . . . .		(189,687)	(222,342)	(268,751)	(126,263)	(144,072)
Gross profit . . . . .		156,404	191,117	202,468	83,585	98,852
Investment and other income . . . . .	6	1,588	4,872	4,859	2,441	3,162
Other income, gains and losses . . . . .	7	6,701	(1,633)	101	352	2
Marketing expenses . . . . .		(13,861)	(14,409)	(20,886)	(9,362)	(8,869)
Administrative expenses . . . . .		(34,256)	(47,934)	(56,118)	(26,851)	(31,157)
Finance costs . . . . .	8	(14,952)	(15,234)	(15,554)	(6,622)	(8,414)
Other expenses . . . . .		(6,279)	(1,433)	(1,515)	(755)	(4,000)
Change in fair value on redeemable convertible preferred shares . . . . .	30	(104,040)	(10,440)	(63,720)	(37,800)	(23,692)
Change in fair value on warrants . . . . .	30	(21,960)	(1,785)	(8,410)	(5,241)	(3,695)
Gain on cancellation of warrants . . . . .	30	—	—	—	—	42,510
(Loss) profit before taxation . . . . .		(30,655)	103,121	41,225	(253)	64,699
Taxation . . . . .	9	(7,575)	(9,153)	(8,043)	(3,464)	(2,930)
(Loss) profit for the year/period . . . . .	10	<u>(38,230)</u>	<u>93,968</u>	<u>33,182</u>	<u>(3,717)</u>	<u>61,769</u>
Other comprehensive income (expense):						
Items that may be subsequently reclassified to profit or loss:						
Change in fair value of available-for-sale investments . . . . .		—	63	316	513	(176)
Exchange difference arising on the transaction of foreign operation . . . . .		—	59	(120)	249	307
Other comprehensive (expense) income for the year/period . . . . .		—	122	196	762	131
Total comprehensive (expense) income for the year/period . . . . .		<u>(38,230)</u>	<u>94,090</u>	<u>33,378</u>	<u>(2,955)</u>	<u>61,900</u>
(Loss) earnings per share						
Basic . . . . .	13	<u>(0.05)</u>	<u>0.12</u>	<u>0.04</u>	<u>(0.01)</u>	<u>0.08</u>
Diluted . . . . .	13	<u>(0.05)</u>	<u>0.10</u>	<u>0.04</u>	<u>(0.01)</u>	<u>0.03</u>



## APPENDIX I

## ACCOUNTANTS’ REPORT

### A. FINANCIAL INFORMATION – continued

#### Consolidated Statements of Financial Position

	NOTES	The Group			
		At August 31,			At
		2011	2012	2013	February 28, 2014
		RMB’000	RMB’000	RMB’000	RMB’000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment . . . . .	14	882,953	961,387	1,177,025	1,200,805
Prepaid lease payments . . . . .	15	162,733	167,546	196,589	194,095
Investment properties . . . . .	16	20,412	19,558	18,704	18,276
Goodwill . . . . .	17	3,980	1,982	1,982	1,982
Available-for-sale investments . . . . .	19	4,418	3,177	3,493	3,317
Books for lease . . . . .		2,565	4,028	3,309	4,882
Deposits for construction of property and land use right . . . . .		3,037	3,193	1,227	1,037
		<u>1,080,098</u>	<u>1,160,871</u>	<u>1,402,329</u>	<u>1,424,394</u>
<b>CURRENT ASSETS</b>					
Deposit, prepayments and other receivables . . . .	20	13,283	12,483	16,256	16,698
Bank balances and cash . . . . .	22	234,903	297,036	409,303	192,878
		<u>248,186</u>	<u>309,519</u>	<u>425,559</u>	<u>209,576</u>
<b>CURRENT LIABILITIES</b>					
Deferred revenue . . . . .	23	319,847	357,475	408,325	246,611
Other payables and accrued expenses . . . . .	24	87,087	109,842	188,607	140,776
Amounts due to related parties . . . . .	37	13,822	13,805	13,491	13,394
Income tax payable . . . . .		10,205	14,873	17,541	16,075
Bank borrowings . . . . .	26	233,500	170,000	215,000	234,000
Redeemable convertible preferred shares . . . . .	30	307,260	317,700	381,420	405,112
Warrants . . . . .	30	28,620	30,405	38,815	—
		<u>1,000,341</u>	<u>1,014,100</u>	<u>1,263,199</u>	<u>1,055,968</u>
NET CURRENT LIABILITIES . . . . .		<u>(752,155)</u>	<u>(704,581)</u>	<u>(837,640)</u>	<u>(846,392)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>327,943</u>	<u>456,290</u>	<u>564,689</u>	<u>578,002</u>
<b>CAPITAL AND RESERVES</b>					
Share capital . . . . .	28	511	511	511	511
Reserves . . . . .		289,560	383,722	417,131	479,031
		<u>290,071</u>	<u>384,233</u>	<u>417,642</u>	<u>479,542</u>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities . . . . .	25	4,572	9,057	14,347	16,060
Bank borrowings . . . . .	26	—	—	60,000	—
Deposit received in respect of disposal of properties . . . . .	27	30,000	60,000	70,000	80,000
Other non-current liabilities . . . . .		3,300	3,000	2,700	2,400
		<u>37,872</u>	<u>72,057</u>	<u>147,047</u>	<u>98,460</u>
		<u>327,943</u>	<u>456,290</u>	<u>564,689</u>	<u>578,002</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### A. FINANCIAL INFORMATION – continued

#### The Company’s Statements of Financial Position

	NOTES	The Company			
		At August 31,			At
		2011	2012	2013	February 28,
		RMB’000	RMB’000	RMB’000	2014
					RMB’000
NON-CURRENT ASSETS .....					
Investments in subsidiaries .....	18	192,696	192,696	192,696	192,696
Available-for-sale investments .....	19	4,418	3,177	3,493	3,317
		<u>197,114</u>	<u>195,873</u>	<u>196,189</u>	<u>196,013</u>
CURRENT ASSETS .....					
Other receivables .....		—	—	—	296
Bank balances and cash .....	22	321	455	1,968	3,594
		<u>321</u>	<u>455</u>	<u>1,968</u>	<u>3,890</u>
CURRENT LIABILITIES .....					
Other payables .....		—	—	126	1,159
Amounts due to subsidiaries .....	21	8,714	8,714	10,151	12,390
Redeemable convertible preferred shares .....	30	307,260	317,700	381,420	405,112
Warrants .....	30	28,620	30,405	38,815	—
		<u>344,594</u>	<u>356,819</u>	<u>430,512</u>	<u>418,661</u>
NET CURRENT LIABILITIES .....		<u>(344,273)</u>	<u>(356,364)</u>	<u>(428,544)</u>	<u>(414,771)</u>
TOTAL ASSETS LESS .....					
CURRENT LIABILITIES .....		<u>(147,159)</u>	<u>(160,491)</u>	<u>(232,355)</u>	<u>(218,758)</u>
CAPITAL AND RESERVES .....					
Share capital .....	28	511	511	511	511
Reserves .....	29	(147,670)	(161,002)	(232,866)	(219,269)
		<u>(147,159)</u>	<u>(160,491)</u>	<u>(232,355)</u>	<u>(218,758)</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### A. FINANCIAL INFORMATION – continued

#### Consolidated Statements of Changes in Equity

	Share capital	Share premium	Investment valuation reserve	Translation reserve	Statutory surplus reserve	Share option reserve	Accumulated (losses) profits	Attributable to owners of the Company
	RMB'000	RMB'000 Note 29(a)	RMB'000	RMB'000	RMB'000 Note 29(b)	RMB'000	RMB'000	RMB'000
At September 1, 2010	511	24,940	—	—	88,630	3,569	210,298	327,948
Loss and total comprehensive expense for the year	—	—	—	—	—	—	(38,230)	(38,230)
Transfer	—	—	—	—	20,258	—	(20,258)	—
Share-based payments	—	—	—	—	—	353	—	353
At August 31, 2011	511	24,940	—	—	108,888	3,922	151,810	290,071
Other comprehensive income for the year	—	—	63	59	—	—	—	122
Profit for the year	—	—	—	—	—	—	93,968	93,968
Total comprehensive income for the year	—	—	63	59	—	—	93,968	94,090
Transfer	—	—	—	—	26,748	—	(26,748)	—
Share-based payments	—	—	—	—	—	72	—	72
At August 31, 2012	511	24,940	63	59	135,636	3,994	219,030	384,233
Other comprehensive income for the year	—	—	316	(120)	—	—	—	196
Profit for the year	—	—	—	—	—	—	33,182	33,182
Total comprehensive income for the year	—	—	316	(120)	—	—	33,182	33,378
Transfer	—	—	—	—	27,847	—	(27,847)	—
Share-based payments	—	—	—	—	—	31	—	31
At August 31, 2013	511	24,940	379	(61)	163,483	4,025	224,365	417,642
Other comprehensive expense for the period	—	—	(176)	307	—	—	—	131
Profit for the period	—	—	—	—	—	—	61,769	61,769
Total comprehensive (expense) income for the period	—	—	(176)	307	—	—	61,769	61,900
At February 28, 2014	511	24,940	203	246	163,483	4,025	286,134	479,542
Unaudited								
For the six months ended February 28, 2013								
At September 1, 2012	511	24,940	63	59	135,636	3,994	219,030	384,233
Other comprehensive income for the period	—	—	513	249	—	—	—	762
Loss for the period	—	—	—	—	—	—	(3,717)	(3,717)
Total comprehensive income (expense) for the period	—	—	513	249	—	—	(3,717)	(2,955)
Share-based payments	—	—	—	—	—	11	—	11
At February 28, 2013	511	24,940	576	308	135,636	4,005	215,313	381,289

## APPENDIX I

## ACCOUNTANTS’ REPORT

### A. FINANCIAL INFORMATION – continued

#### Consolidated Statements of Cash Flows

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>OPERATING ACTIVITIES</b>					
(Loss) profit before taxation	(30,655)	103,121	41,225	(253)	64,699
Adjustments for:					
Finance costs	14,952	15,234	15,554	6,622	8,414
Interest Income	(379)	(1,059)	(960)	(513)	(1,043)
Exchange loss (gain)	(730)	3	(185)	(86)	(42)
Depreciation of property, plant and equipment	25,241	25,966	29,873	14,802	17,215
Depreciation of investment properties	854	854	854	428	428
Amortization of books for lease	1,934	2,276	3,132	1,745	1,394
Release of prepaid lease payment	4,033	4,041	4,473	2,094	2,494
Gain on disposal of available-for-sale investments	(689)	(186)	—	—	—
Impairment loss on available-for-sale investments	555	—	—	—	—
Dividends from available-for-sale investments	(184)	(183)	(144)	(61)	(64)
Loss (gain) on disposal of property, plant and equipment	345	(53)	(286)	(301)	22
Share-based payments	353	72	31	11	—
Change in fair value on redeemable convertible preferred shares	104,040	10,440	63,720	37,800	23,692
Change in fair value on warrants	21,960	1,785	8,410	5,241	3,695
Gain on cancellation of warrants	—	—	—	—	42,510
Impairment loss on goodwill	—	1,998	—	—	—
Operating cash flows before movements in working capital	141,630	164,309	165,697	67,529	78,394
(Increase) decrease in deposits, prepayment and other receivables	3,138	980	(3,089)	(3,026)	(442)
Increase (decrease) in deferred revenue	74,656	37,628	50,850	(147,609)	(161,714)
Increase (decrease) in other payables and accrued expenses	15,864	12,806	35,941	(11,475)	(15,644)
Cash generated from (used in) operations	235,288	215,723	249,399	(94,581)	(99,406)
Interest received	379	1,059	960	513	1,043
Income tax paid	—	—	(85)	(82)	(2,683)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>235,667</b>	<b>216,782</b>	<b>250,274</b>	<b>(94,150)</b>	<b>(101,046)</b>
<b>INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment	(130,066)	(93,306)	(200,135)	(53,538)	(73,343)
Prepaid lease payments paid	(4,498)	(9,034)	(37,200)	(19,076)	—
Purchase of books for lease	(2,182)	(3,739)	(2,413)	(2,265)	(2,967)
Dividends received from available-for-sale investments	184	183	144	61	64
Proceeds from disposal of property, plant and equipment	239	150	437	374	54
Proceeds from disposal of available-for-sale investments	2,200	1,490	—	—	—
Deposit received in respect of disposal of properties	10,000	30,000	10,000	10,000	10,000
Refund of deposits for construction of property and land use right	—	—	1,966	1,966	190
Payment for acquisition of Tianjin Taida Maple in 2008	(30,375)	—	—	—	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(154,498)</b>	<b>(74,256)</b>	<b>(227,201)</b>	<b>(62,478)</b>	<b>(66,002)</b>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### A. FINANCIAL INFORMATION – continued

#### Consolidated Statements of Cash Flows – continued

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
FINANCING ACTIVITIES					
Proceeds from bank borrowings . . . . .	218,500	170,000	275,000	165,000	85,000
Repayment of bank borrowings . . . . .	(180,000)	(233,500)	(170,000)	(60,000)	(126,000)
Interest paid . . . . .	(14,177)	(16,879)	(15,654)	(6,667)	(8,369)
Repayment to related parties . . . . .	(537)	—	—	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES . . . . .	23,786	(80,379)	89,346	98,333	(49,369)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .	104,955	62,147	112,419	(58,295)	(216,417)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD . . . . .	130,038	234,903	297,036	297,036	409,303
Effect of foreign exchange rate changes . . . . .	(90)	(14)	(152)	13	(8)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH . . . . .	234,903	297,036	409,303	238,754	192,878

## APPENDIX I

## ACCOUNTANTS’ REPORT

### Notes to the Financial Information

#### 1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

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

Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Dalian Educational Group, Dalian Science and Education, Dalian Foreign School and Wuhan Foreign School (“Consolidated Affiliated Entities”) in the PRC. The wholly-owned subsidiary, 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.

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

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



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION – continued

indirect subsidiaries. The Group has consolidated the assets, liabilities, revenue, 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 Financial Information of the Group during the Relevant Periods.

The following financial statement balances and amounts of the Consolidated Affiliated Entities and the Consolidated Affiliated Entities’ subsidiaries were included in the Financial Information:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Revenue .....	145,442	186,975	239,079	107,775	172,742
Profit before taxation .....	31,474	38,833	54,581	22,098	45,202

  

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current assets .....	539,296	620,913	875,209	900,294
Current assets .....	141,422	159,836	279,821	132,341
Current liabilities .....	(333,174)	(346,724)	(489,383)	(438,512)
Non-current liabilities .....	—	—	(60,000)	(10,000)

The Financial Information is presented in RMB, which is same as the functional currency of the Company.

The Group had net current liabilities of approximately RMB846,392,000 as at February 28, 2014 of which current liabilities of approximately RMB234,000,000 and RMB405,112,000 were attributable to bank borrowings due within one year and redeemable convertible preferred shares, respectively. The Company had net current liabilities of approximately RMB414,771,000 as at February 28, 2014 of which current liabilities of approximately RMB12,390,000 and RMB405,112,000 were attributable to amounts due to subsidiaries and redeemable convertible preferred shares, respectively.

Taking into account the financial resources of the Group, including the Group’s unutilized banking facilities, the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, and the supplement agreement signed in June 2014 by the Company and holders of the redeemable convertible preferred shares that the Series A Preferred Shares would not be redeemed until December 31, 2015, the Directors of the Company are of the opinion that the Group and the Company has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the Financial Information have been prepared on a going concern basis.

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied the International Accounting Standards (“IASs”), IFRSs, amendments and the related Interpretations (“IFRICs”), which are effective for the accounting period beginning on September 1, 2013 throughout the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

At the date of this report, the following new and revised standards, amendments or interpretations have been issued which are not yet effective. The Group has not early adopted these standards, amendments or interpretations in the preparation of the Financial Information for the Relevant Periods.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities <sup>1</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>6</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization <sup>6</sup>
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle <sup>2</sup>
IFRS 9	Financial Instruments <sup>3</sup>
IFRS 14	Regulatory Deferral Accounts <sup>5</sup>
IFRS 15	Revenue from Contracts with Customers <sup>7</sup>
IFRIC 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2014

<sup>2</sup> Effective for annual periods beginning on or after July 1, 2014

<sup>3</sup> Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized

<sup>4</sup> Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

<sup>5</sup> Effective for first annual IFRS financial statements beginning on or after January 1, 2016

<sup>6</sup> Effective for annual periods beginning on or after January 1, 2016

<sup>7</sup> Effective for annual periods beginning on or after January 1, 2017

#### IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized 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 amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

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 recognized in profit or loss.

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

Based on the Group’s financial assets and financial liabilities as at February 28, 2014, the directors of the Company anticipate that the adoption of IFRS 9 in the future may have impact on the Group’s redeemable convertible preferred shares and have no significant impact on the amounts of the Group’s other financial assets and financial liabilities. Regarding the Group’s redeemable convertible preferred shares, it is not applicable to provide a reasonable estimate of that effect until a detail review has been completed.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with IFRSs. In addition, the Financial Information includes applicable disclosures required by the [REDACTED].

#### Basis of presentation

The Financial Information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies 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 Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized 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;

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Basis of presentation – continued

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.

#### Basis of consolidation

The Financial Information incorporates 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:

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

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

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

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

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

#### Goodwill

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

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

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

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

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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**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.

Service income includes tuition fees and boarding fees from primary schools, secondary schools and post-secondary schools of the Group and tuition fees from preschool services.

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

Tuition and boarding fees received from primary schools, secondary schools and post-secondary schools are generally paid in advance at the beginning of school year or semester, and are initially recorded as deferred revenue. Tuition and boarding fees are recognized 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 August of the following year.

The Group also provides overseas studies consulting services and organises winter and summer vacation activities to students. Revenue from such services are recognized 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 post-secondary education. Book rental fee is generally billed to a student at the beginning of an academic year and is recognized on a straight-line basis over the period of renting. Rental fees paid in advance are recorded as deferred revenue.

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

**Investments in subsidiaries**

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

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Leasing

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

#### *The Group as lessor*

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

#### *The Group as lessee*

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

#### Foreign currencies

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

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

For the purposes of presenting the Financial Information, 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 recognized 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 recognized in profit or loss in the period in which they are incurred.

#### Retirement benefit costs

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

#### Taxation

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



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Taxation – continued

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements 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 recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized 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 utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

#### Property, plant and equipment

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

Depreciation is recognized 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.

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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**3. SIGNIFICANT ACCOUNTING POLICIES – continued****Property, plant and equipment – continued**

Construction in progress is carried out at cost, less any recognized 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 derecognized 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 recognized 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 recognized 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 derecognized 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 derecognized.

**Prepaid lease payments**

Prepaid lease payments represent payments for obtaining land use right and is amortized 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 amortized 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 statements of financial position at cost less subsequent accumulated amortization and subsequent accumulated impairment losses, if any. Amortization is recognized in the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the period of the books’ economic life.

**Impairment of tangible assets**

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

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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**3. SIGNIFICANT ACCOUNTING POLICIES – continued****Impairment of tangible assets – continued**

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

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

**Financial instruments**

Financial assets and financial liabilities are recognized in the consolidated statements 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 recognized immediately in profit or loss.

***Financial assets***

The Group’s financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized 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 amortized cost of a financial asset and of allocating interest income over the relevant periods. 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 recognized on an effective interest basis for debt instruments.

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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**3. SIGNIFICANT ACCOUNTING POLICIES – continued****Financial instruments – continued***Loans and receivables*

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

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

*Available-for-sale financial assets*

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

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

*Impairment of financial assets*

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

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

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

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

For financial assets carried at amortized cost, the amount of impairment loss recognized 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 recognized 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 recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Financial instruments – continued

##### *Impairment of financial assets – continued*

For financial assets measured at amortized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

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 recognized 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 recognized at the proceeds received, net of direct issue costs.

##### *Financial liabilities at fair value through profit or loss*

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

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

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

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

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Financial instruments – continued

##### *Financial liabilities at fair value through profit or loss – continued*

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

##### *Other financial liabilities*

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

##### *Effective interest method*

The effective interest method is a method of calculating the amortized 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 recognized 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 derecognizes 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liability when, and only when, the Group’s obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### Equity-settled share-based payment transactions

##### *Share options granted to employees*

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

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

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



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

#### Equity-settled share-based payment transactions – continued

##### *Share options granted to consultants*

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

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

#### **Critical accounting judgments**

The following are the critical judgments, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the Financial Information.

#### (a) Contractual Arrangements

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

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

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY– continued

#### Key sources of estimation uncertainty

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

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

The Group’s management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management’s experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying amount of property, plant and equipment are RMB882,953,000, RMB961,387,000, RMB1,177,025,000 and RMB1,200,805,000 respectively. Any change in these estimates may have a material impact on the results of the Group.

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

The fair value of the redeemable convertible preferred shares and warrants are calculated using the valuation techniques. These techniques include discounted cash flow analysis and option pricing method. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on the Group’s specific data. The model involves estimates on time to expiration, risk free rate, other comparable public companies share price volatility and others. As at August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying amount of the redeemable convertible preferred shares is RMB307,260,000, RMB317,700,000, RMB381,420,000 and RMB405,112,000 respectively.

As at August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying amount of the warrants is RMB28,620,000, RMB30,405,000, RMB38,815,000 and RMB nil respectively.

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

### 5. REVENUE AND SEGMENT INFORMATION

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

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

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 5. REVENUE AND SEGMENT INFORMATION – continued

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

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

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Tuition and boarding fees . . . . .	304,728	367,059	405,962	193,579	225,113
Others . . . . .	41,363	46,400	65,257	16,269	17,811
	<u>346,091</u>	<u>413,459</u>	<u>471,219</u>	<u>209,848</u>	<u>242,924</u>

#### *Major customers*

No single customer contributes over 10% or more of total revenue of the Group during the Relevant Periods.

#### *Geographical information*

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

### 6. INVESTMENT AND OTHER INCOME

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Interest income . . . . .	379	1,059	960	513	1,043
Dividends income from available-for-sale investments . . . . .	184	183	144	61	64
Rental income from investment properties . . . . .	1,025	3,630	3,755	1,867	1,888
Others . . . . .	—	—	—	—	167
	<u>1,588</u>	<u>4,872</u>	<u>4,859</u>	<u>2,441</u>	<u>3,162</u>

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## ACCOUNTANTS’ REPORT

### 7. OTHER INCOME, GAINS AND LOSSES

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Gain on disposal of available-for-sale investments . . . . .	689	186	—	—	—
Impairment loss on available-for-sale investments . . . . .	(555)	—	—	—	—
(Loss) gain on disposal of property, plant and equipment . . . . .	(345)	53	286	301	(22)
Net foreign exchange gain (loss) . . . . .	730	(3)	185	86	42
Compensation <sup>(Note)</sup> . . . . .	6,093	—	—	—	—
Impairment loss on goodwill (Note 17) . . . . .	—	(1,998)	—	—	—
Others . . . . .	89	129	(370)	(35)	(18)
	<u>6,701</u>	<u>(1,633)</u>	<u>101</u>	<u>352</u>	<u>2</u>

Note: The amounts include compensation of RMB4,670,000 from Shengyang Xiaopeng Housing Development Limited (the “Shenyang Xiaopeng”) for settlement of a lawsuit. Shenyang Xiaopeng was an independent third party with the original intention of establishing Shenyang Maple together with Dalian Educational Group. Shenyang Xiaopeng did not fulfill certain requirements as agreed in the cooperation agreement which was then dissolved by the court in December 2008. Thus Dalian Educational Group became the sole legal owner of Shenyang Maple. In April 2011, Shenyang Xiaopeng reached a mutual agreement to settle the lawsuit and Shenyang Xiaopeng agreed to pay the Group RMB4,670,000 as compensation, which was recorded as other income for the year ended August 31, 2011. RMB3,200,000 has not yet been received as at August 31, 2011 and recorded as compensation receivable (note 20). In addition, the amounts include compensation of RMB1,423,000 received from the relevant PRC government for the requisition of a piece of land in a school campus of the Group for public construction purposes.

### 8. FINANCE COSTS

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Interest expense on bank borrowings-wholly repayable within 5 years . . . . .	15,560	15,850	15,554	6,622	8,414
Less: amounts capitalized . . . . .	608	616	—	—	—
	<u>14,952</u>	<u>15,234</u>	<u>15,554</u>	<u>6,622</u>	<u>8,414</u>

The weighted average capitalization rates on funds borrowed generally are 6.90% and 7.19% for the years ended August 31, 2011 and 2012, respectively.

### 9. TAXATION

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
The charge comprises					
Current tax:					
PRC Enterprise Income Tax (“EIT”) . . . . .	3,372	4,668	2,753	1,090	1,217
Deferred tax:					
Current year (Note 25) . . . . .	4,203	4,485	5,290	2,374	1,713
	<u>7,575</u>	<u>9,153</u>	<u>8,043</u>	<u>3,464</u>	<u>2,930</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 9. TAXATION – continued

The income tax expense for the year/period can be reconciled to the (loss) profit before taxation as follows:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss) profit before taxation . . . . .	(30,655)	103,121	41,225	(253)	64,699
Tax at PRC EIT rates of 25% . . . . .	(7,664)	25,780	10,306	(63)	16,175
Tax effect of tax loss not recognized . . . . .	15,371	17,684	20,485	9,378	13,587
Utilization of tax loss previously not recognized . . .	(1,246)	(903)	(2,452)	(449)	(2,343)
Tax effect of income not taxable for tax purposes . . . . .	(69,632)	(83,804)	(90,822)	(42,193)	(51,317)
Tax effect of expenses not deductible for tax purposes . . . . .	70,746	50,396	70,526	36,791	26,828
Tax charge for the year/period . . . . .	<u>7,575</u>	<u>9,153</u>	<u>8,043</u>	<u>3,464</u>	<u>2,930</u>

The Company was incorporated in the Cayman Islands and Maple BVI was incorporated in the BVI that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

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

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education, except for preschools, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same enterprise income tax exemption treatment as public schools. DL High School, DL Junior, TJ Maple, WH Maple and WH Junior have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities. During the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2013 and 2014, the tuition income not taxable is RMB278,527,000, RMB335,215,000, RMB363,287,000, RMB168,772,000 (unaudited) and RMB190,146,000, respectively, and the related expense not deductible is RMB112,848,000, RMB128,822,000, RMB142,729,000, RMB78,771,000 (unaudited) and RMB77,055,000, respectively.

As at August 31, 2011, 2012, and 2013 and February 28, 2014, the Group has unused tax loss of RMB45,962,000, RMB44,323,000, RMB34,766,000 and RMB25,516,000 respectively available for offset against future profits. No deferred tax assets have been recognized in respect of such tax losses due to the unpredictability of future tax profit streams. Tax losses of RMB25,516,000 as of February 28, 2014 will expire in various years before 2019.

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB186,783,000, RMB264,998,000, RMB342,250,000 and RMB553,568,000 at August 31, 2011, 2012 and 2013 and at February 28, 2014, respectively, 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.

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## ACCOUNTANTS’ REPORT

### 10. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
(Loss) profit for the year/period has been arrived at after charging (crediting):					
Staff costs, including directors’ remuneration . . . . .					
— salaries and other allowances . . . . .	131,309	156,978	189,003	87,246	101,947
— retirement benefit scheme contributions . . . . .	3,841	5,196	6,815	3,791	5,409
— share-base payments . . . . .	353	72	31	11	—
Total staff costs . . . . .	135,503	162,246	195,849	91,048	107,356
Gross rental income from investment properties . . .	(1,025)	(3,630)	(3,755)	(1,867)	(1,888)
Less:					
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year/period (included in other expenses) . . . . .	593	1,319	1,406	697	754
Direct operating expense (including depreciation) incurred for investment properties that did not generate rental income during the year/period (included in other expenses) . . . . .	537	114	109	58	4
	105	(2,197)	(2,240)	(1,112)	(1,130)
Depreciation of property, plant and equipment . . .	25,241	25,966	29,873	14,802	17,215
Depreciation of investment properties . . . . .	854	854	854	428	428
Release of prepaid lease payments . . . . .	4,033	4,041	4,473	2,094	2,494
Amortization of books for lease . . . . .	1,934	2,276	3,132	1,745	1,394
Auditors’ remuneration . . . . .	5,845	3,774	53	6	2,050
Listing-related expenses (included in other expenses) . . . . .	5,149	—	—	—	3,232

### 11. DIRECTORS’ AND EMPLOYEES’ EMOLUMENTS

#### Directors

Details of the emoluments paid to the directors of the Company for the Relevant Periods are as follows:

For the year ended August 31, 2011:

	Directors’ fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<u>Executive directors</u>					
— Penner Susanne Charlotte . . . . .	—	670	—	—	670
— Sherman Jen . . . . .	—	500	—	—	500
— Zhang Jingxia . . . . .	—	244	17	5	266
	—	1,414	17	5	1,436



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 11. DIRECTORS’ AND EMPLOYEES’ EMOLUMENTS – continued

For the year ended August 31, 2012:

	Directors’ fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
— Penner Susanne Charlotte (Note) .....	—	341	—	—	341
— Sherman Jen .....	—	2,000	—	—	2,000
— Zhang Jingxia .....	—	1,000	18	3	1,021
— Sutherland Colleen Dawn (Note) .....	—	295	—	—	295
	—	3,636	18	3	3,657

For the year ended August 31, 2013:

	Directors’ fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
— Sherman Jen .....	—	2,000	—	—	2,000
— Zhang Jingxia .....	—	1,000	—	—	1,000
— Sutherland Colleen Dawn .....	—	694	—	—	694
	—	3,694	—	—	3,694

For the six months ended February 28, 2014:

	Directors’ fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
— Sherman Jen .....	—	1,000	—	—	1,000
— Zhang Jingxia .....	—	500	—	—	500
— Sutherland Colleen Dawn .....	—	323	—	—	323
	—	1,823	—	—	1,823

For the six months ended February 28, 2013 (unaudited):

	Directors’ fee	Salaries and other allowances	Share-based payments	Retirement benefit scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
— Sherman Jen .....	—	1,000	—	—	1,000
— Zhang Jingxia .....	—	500	—	—	500
— Sutherland Colleen Dawn .....	—	356	—	—	356
	—	1,856	—	—	1,856

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## ACCOUNTANTS’ REPORT

### 11. DIRECTORS’ AND EMPLOYEES’ EMOLUMENTS – continued

Note: Ms. Penner Susanne Charlotte resigned as an executive director of the Company on March 15, 2012. Ms. Sutherland Colleen Dawn was appointed as an executive director of the Company with effect from March 15, 2012.

No emoluments were paid or payable to Mr. Howard Robert Balloch, the non-executive director of the Company during the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014.

#### Employees

The five highest paid individuals of the Group included one, three, three, three (unaudited) and three directors for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining four, two, two, two (unaudited) and two individuals for the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014, respectively, are as follows:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Salaries and other benefits .....	2,439	1,427	1,883	974	890
Share-based payments .....	—	—	—	—	—
Retirement benefit scheme contributions .....	—	—	—	—	—
	<u>2,439</u>	<u>1,427</u>	<u>1,883</u>	<u>974</u>	<u>890</u>

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

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
				(Unaudited)	
HK\$ nil to HK\$1,000,000 .....	4	2	1	2	2
HK\$1,000,001 to HK\$1,500,000 .....	—	—	—	—	—
HK\$1,500,001 to HK\$2,000,000 .....	—	—	1	—	—
	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Relevant Periods.

### 12. DIVIDENDS

No dividend has been paid or proposed by the Company during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

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## ACCOUNTANTS’ REPORT

### 13. (LOSS) EARNINGS PER SHARE

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

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
(Loss) earnings:					
(Loss) earnings for the purpose of calculating basic earnings per share .....	(38,230)	93,968	33,182	(3,717)	61,769
Change in fair value on redeemable convertible preferred shares .....	—	10,440	—	—	—
Change in fair value on warrant and gain on cancellation of warrants .....	—	—	—	—	(38,815)
(Loss) earnings for the purpose of calculating diluted earnings per share .....	<u>(38,230)</u>	<u>104,408</u>	<u>33,182</u>	<u>(3,717)</u>	<u>22,954</u>

  

	Number of shares				
	August 31,			February 28,	
	2011	2012	2013	2013	2014
	(unaudited)				
Numbers of shares:					
Number of ordinary shares for the purpose of calculating basic earnings per share .....	770,883,458	770,883,458	770,883,458	770,883,458	770,883,458
Effect of dilutive of ordinary shares:					
Redeemable convertible preferred shares .....	—	229,116,553	—	—	—
Warrants .....	—	—	—	—	13,664,841
Share options .....	—	3,298,386	5,549,997	—	7,064,290
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share .....	<u>770,883,458</u>	<u>1,003,298,397</u>	<u>776,433,455</u>	<u>770,883,458</u>	<u>791,612,589</u>

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share has been adjusted for the effect of the capitalization issue as described more fully in Appendix VI to the Prospectus.

For the years ended August 31, 2011 and 2013, and for the six months ended February 28, 2013 and 2014, the computation of diluted (loss) earnings per share does not assume the conversion of the Company’s outstanding redeemable convertible preferred shares since their conversion would result in an increase in the earnings per share or decrease in loss per share.

For the year ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013, the computation of diluted (loss) earnings per share does not assume the exercise of the Company’s outstanding warrants to redeemable convertible preferred shares and the conversion of the exercised redeemable convertible preferred shares to the ordinary shares since their exercise and conversion would result in an increase in earnings per share or decrease in loss per share.

For the year ended August 31, 2011 and the six months ended February 28, 2013, the computation of loss per share does not assume the exercise of the outstanding share options as it would result in a decrease in loss per share.

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## ACCOUNTANTS’ REPORT

### 14. PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>							
At September 1, 2010 .....	745,346	5,279	6,077	11,432	33,544	88,722	890,400
Additions .....	551	—	806	576	2,927	94,212	99,072
Transfer .....	108,637	—	—	—	—	(108,637)	—
Disposals .....	—	(1,509)	(495)	(745)	(2,547)	—	(5,296)
At August 31, 2011 .....	854,534	3,770	6,388	11,263	33,924	74,297	984,176
Additions .....	943	—	1,468	1,231	6,032	94,770	104,444
Transfer .....	91,119	—	—	—	—	(91,119)	—
Disposals .....	—	—	(1,174)	(38)	(143)	—	(1,355)
Exchange adjustment .....	—	—	—	—	—	53	53
At August 31, 2012 .....	946,596	3,770	6,682	12,456	39,813	78,001	1,087,318
Additions .....	18,887	21	1,085	1,404	8,540	215,822	245,759
Transfer .....	93,374	—	—	—	—	(93,374)	—
Disposals .....	—	—	(955)	(74)	(628)	—	(1,657)
Exchange adjustment .....	—	—	—	—	—	(97)	(97)
At August 31, 2013 .....	1,058,857	3,791	6,812	13,786	47,725	200,352	1,331,323
Additions .....	957	—	—	5,182	8,691	25,981	40,811
Transfer .....	211,108	—	—	—	—	(211,108)	—
Disposals .....	—	—	—	(326)	(724)	—	(1,050)
Exchange adjustment .....	—	—	—	—	—	260	260
At February 28, 2014 .....	1,270,922	3,791	6,812	18,642	55,692	15,485	1,371,344
<b>DEPRECIATION</b>							
At September 1, 2010 .....	54,496	2,730	3,852	4,236	15,380	—	80,694
Provided for the year .....	16,656	882	686	1,037	5,980	—	25,241
Eliminated on disposals ....	—	(1,509)	(405)	(480)	(2,318)	—	(4,712)
At August 31, 2011 .....	71,152	2,103	4,133	4,793	19,042	—	101,223
Provided for the year .....	17,982	500	834	1,523	5,127	—	25,966
Eliminated on disposals ....	—	—	(1,115)	(27)	(116)	—	(1,258)
At August 31, 2012 .....	89,134	2,603	3,852	6,289	24,053	—	125,931
Provided for the year .....	20,832	539	945	1,421	6,136	—	29,873
Eliminated on disposals ....	—	—	(907)	(6)	(593)	—	(1,506)
At August 31, 2013 .....	109,966	3,142	3,890	7,704	29,596	—	154,298
Provided for the period .....	12,128	239	515	811	3,522	—	17,215
Eliminated on disposals ....	—	—	—	(307)	(667)	—	(974)
At February 28, 2014 .....	122,094	3,381	4,405	8,208	32,451	—	170,539
<b>NET BOOK VALUES</b>							
At August 31, 2011 .....	783,382	1,667	2,255	6,470	14,882	74,297	882,953
At August 31, 2012 .....	857,462	1,167	2,830	6,167	15,760	78,001	961,387
At August 31, 2013 .....	948,891	649	2,922	6,082	18,129	200,352	1,177,025
At February 28, 2014 .....	1,148,828	410	2,407	10,434	23,241	15,485	1,200,805

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## ACCOUNTANTS’ REPORT

### 14. PROPERTY, PLANT AND EQUIPMENT – continued

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

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

At August 31, 2011, 2012 and 2013 and February 28, 2014, the Group had pledged its buildings with an aggregate carrying value of RMB358,393,000, RMB270,704,000, RMB276,450,000 and RMB125,146,000 respectively, to secure for general banking facilities granted to the subsidiaries of the Group.

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

At August 31, 2011, 2012 and 2013 and February 28, 2014, the accumulated borrowing costs capitalized to construction in progress were RMB608,000, RMB Nil, RMB Nil and RMB Nil, respectively.

At February 28, 2014, the Group is in the process of obtaining the property certificate for the buildings with carrying value of RMB280,619,000 which are located in the PRC.

### 15. PREPAID LEASE PAYMENTS

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

The Group	At August 31,			At
	2011	2012	2013	February 28, 2014
	RMB’000	RMB’000	RMB’000	RMB’000
Current assets (included in deposits, prepayment and other receivables) .....	3,991	4,171	4,855	4,855
Non-current assets .....	162,733	167,546	196,589	194,095
	<u>166,724</u>	<u>171,717</u>	<u>201,444</u>	<u>198,950</u>

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

At August 31, 2011, 2012 and 2013 and February 28, 2014, the Group had pledged of its land use rights with an aggregate carrying value of RMB75,111,000, RMB50,842,000, RMB57,481,000 and RMB24,603,000 respectively, to banks to secure the credit facilities granted to the Group.

At August 31, 2011, 2012 and 2013 and February 28, 2014, the carrying value of the land use right of RMB46,304,000, RMB45,252,000, RMB44,200,000 and RMB43,674,000 respectively is allocated by the government. The Group is legally entitled to use it for 50 years which is stated in the corresponding state-owned land use certificate. However, without the relevant administrative authorities’ permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

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### 16. INVESTMENT PROPERTIES

The Group	RMB’000
<b>COST</b>	
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014 .....	26,057
<b>DEPRECIATION</b>	
At September 1, 2010 .....	4,791
Provided for the year .....	854
At August 31, 2011 .....	5,645
Provided for the year .....	854
At August 31, 2012 .....	6,499
Provided for the year .....	854
At August 31, 2013 .....	7,353
Provided for the period .....	428
At February 28, 2014 .....	7,781
<b>CARRYING VALUES</b>	
At August 31, 2011 .....	20,412
At August 31, 2012 .....	19,558
At August 31, 2013 .....	18,704
At February 28, 2014 .....	18,276

The fair value of the Group’s investment properties at August 31, 2011, 2012 and 2013 and February 28, 2014 was RMB54,000,000, RMB54,000,000, RMB55,000,000 and RMB55,000,000 respectively. The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited (“DTZ”), an independent valuer not connected with the Group. DTZ, located in 16th Floor Jardine House 1 Connaught Place Central Hong Kong, is a member of the Hong Kong Institute of Surveyors. The valuation was determined by capitalizing 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 capitalization rate and market unit rent of individual unit.

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

Details of the Group’s investment properties and information about the fair value hierarchy as at August 31, 2011, 2012 and 2013 and February 28, 2014 are as follows:

	Carrying value	Level 3 Fair value
	RMB’000	RMB’000
Commercial property units located in Dalian		
At August 31, 2011 .....	20,412	54,000
At August 31, 2012 .....	19,558	54,000
At August 31, 2013 .....	18,704	55,000
At February 28, 2014 .....	18,276	55,000

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

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

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## ACCOUNTANTS’ REPORT

### 17. GOODWILL

The Group	RMB’000
<b>COST</b>	
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014 .....	6,588
<b>IMPAIRMENT</b>	
At September 1, 2010 and August 31, 2011 .....	2,608
Provided for the year .....	1,998
At August 31, 2012 and 2013 and February 28, 2014 .....	4,606
<b>CARRYING VALUES</b>	
At August 31, 2011 .....	3,980
At August 31, 2012 and 2013 and February 28, 2014 .....	1,982

The goodwill was arose from acquisitions of Jiabao, Fengqiao, Lanxi and Jinhai preschools in April 2008, August 2006, June 2007 and April 2009 respectively. Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated (net of accumulated impairment losses) as follows:

	At August 31, 2011	At August 31, 2012 and 2013 and February 28, 2014
	RMB’000	
Cash-generating units:		
Jiabao .....	1,998	—
Fengqiao .....	—	—
Lanxi .....	1,026	1,026
Jinhai .....	956	956
	3,980	1,982

The Group tests goodwill annually for impairment or more frequently if there are indicates that goodwill might be impaired. During the years ended August 31, 2011 and 2013 and six months ended February 28, 2014, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill. During the year ended August 31, 2012, the Group recognized an impairment loss of RMB1,998,000 in relation to goodwill arising on acquisition of Jiabao preschool. Jiabao did not meet the budget since several new preschools established nearby and competition is more intensive than expected. The management adjusted the cash flow projections accordingly and recognized goodwill impairment in the year ended August 31, 2012.

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

#### Jiabao

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 14.20% and 14.55% for the years ended August 31, 2011 and 2012 respectively. Jiabao’s cash flows beyond the five-year period are extrapolated using 2% growth rate for the years ended August 31, 2011 and 2012 respectively which is based on the preschool’s historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit’s past performance and management’s expectations for the market development.



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 17. GOODWILL – continued

#### Jinhai

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 14.20%, 14.55%, 15.22% and 14.70% for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively. Jinhai’s cash flows beyond the five-year period are extrapolated using 5% growth rate for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively which is assumed based on the preschool’s historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit’s past performance and management’s expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the long-lived assets of this unit to exceed their aggregate recoverable amount.

#### Lanxi

The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 14.20%, 14.55%, 15.22% and 14.70% for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively. Lanxi’s cash flows beyond the five-year period are extrapolated using 4% growth rate for the years ended August 31, 2011, 2012 and 2013 and six months ended February 28, 2014 respectively which is based on the preschool’s historical growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash flows which include budgeted revenue and gross margin, such estimation is based on the unit’s past performance and management’s expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the long-lived assets of this unit to exceed their aggregate recoverable amount.

### 18. INVESTMENTS IN SUBSIDIARIES

The Company	At August 31,			At February 28, 2014
	2011	2012	2013	
	RMB’000	RMB’000	RMB’000	RMB’000
Investments in unlisted shares, at cost				
Maple BVI .....	45,351	45,351	45,351	45,351
HK Tech .....	137,895	137,895	137,895	137,895
Maple HK .....	9,450	9,450	9,450	9,450
	<u>192,696</u>	<u>192,696</u>	<u>192,696</u>	<u>192,696</u>

### 19. AVAILABLE-FOR-SALE INVESTMENTS

The Group and the Company	At August 31,			At February 28, 2014
	2011	2012	2013	
	RMB’000	RMB’000	RMB’000	RMB’000
Equity securities listed in Hong Kong at fair value (note 34 (c)) . . .	<u>4,418</u>	<u>3,177</u>	<u>3,493</u>	<u>3,317</u>

The fair value of the available-for-sale investments were determined based on the quoted bid market price available on the [REDACTED] at the end of each reporting period.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group	Year ended August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Prepaid rent and other prepaid expenses . . . . .	4,494	5,210	6,315	6,589
Other deposits . . . . .	986	1,440	1,380	1,351
Compensation receivable (Note 7) . . . . .	3,200	—	—	—
Prepaid lease payments . . . . .	3,991	4,171	4,855	4,855
Staff advances . . . . .	330	955	1,129	605
Other receivables . . . . .	282	707	2,577	3,298
	<u>13,283</u>	<u>12,483</u>	<u>16,256</u>	<u>16,698</u>

### 21. AMOUNTS DUE TO SUBSIDIARIES

The Company	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Maple HK . . . . .	8,714	8,714	8,714	8,714
Dalian Maple Leaf High School . . . . .	—	—	923	2,147
Dalian Foreign School . . . . .	—	—	514	1,342
Dalian Junior . . . . .	—	—	—	187
	<u>8,714</u>	<u>8,714</u>	<u>10,151</u>	<u>12,390</u>

The amounts due to the subsidiaries are unsecured, interest-free and repayable on demand.

### 22. BANK BALANCES AND CASH

#### The Group and the Company

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

As at August 31, 2011, 2012, and 2013 and February 28, 2014, the Company’s bank deposits carried a weighted-average interest rate of 0.001%, 0.001%, 0.001% and 0.001% per annum, respectively.

As at August 31, 2011, 2012 and 2013 and February 28, 2014, the Group’s bank deposits carried a weighted-average interest rate of 0.53%, 0.35%, 0.47% and 0.35% per annum, respectively.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 22. BANK BALANCES AND CASH – continued

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

	The Group				The Company			
	At August 31,		At February 28,		At August 31,		At February 28,	
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Currency:								
US dollar (“USD”) . . . .	2,138	3,587	4,549	7,961	—	—	1,581	3,249
HK dollar (“HK\$”) . . . .	360	616	528	510	321	455	387	345
	<u>2,498</u>	<u>4,203</u>	<u>5,077</u>	<u>8,471</u>	<u>321</u>	<u>455</u>	<u>1,968</u>	<u>3,594</u>

### 23. DEFERRED REVENUE

The Group	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Tuition and boarding fees . . . . .	303,208	335,313	381,130	225,311
Others . . . . .	16,639	22,162	27,195	21,300
	<u>319,847</u>	<u>357,475</u>	<u>408,325</u>	<u>246,611</u>

### 24. OTHER PAYABLES AND ACCRUED EXPENSES

The Group	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Other tax payables . . . . .	3,858	9,015	13,229	13,973
Payables for purchase of property, plant and equipment . . .	32,286	42,964	88,588	56,056
Miscellaneous expenses received from students (Note) . . .	23,617	29,427	50,216	34,215
Deposits received from students . . . . .	14,079	15,120	16,083	16,746
Accrued payroll . . . . .	6,813	4,498	6,143	5,522
Prepayment from lessee . . . . .	2,170	1,629	663	260
Accrued operating expenses . . . . .	67	262	779	1,870
Accrued [REDACTED] expenses . . . . .	—	—	—	1,890
Accrued interest expenses . . . . .	1,542	513	413	458
Payable for land use right . . . . .	—	—	3,000	—
Other payables . . . . .	2,655	6,414	9,493	9,786
	<u>87,087</u>	<u>109,842</u>	<u>188,607</u>	<u>140,776</u>

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

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## ACCOUNTANTS’ REPORT

### 25. DEFERRED TAXATION

The following are the major deferred tax liabilities recognized and movements thereon during the Relevant Periods:

The Group	Others (note)
	<b>RMB’000</b>
At September 1, 2010 .....	369
Charge to profit or loss .....	4,203
At August 31, 2011 .....	4,572
Charge to profit or loss .....	4,485
At August 31, 2012 .....	9,057
Charge to profit or loss .....	5,290
At August 31, 2013 .....	14,347
Charge to profit or loss .....	1,713
At February 28, 2014 .....	16,060

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

### 26. BANK BORROWINGS

The Group	At August 31,			At February 28,
	2011	2012	2013	2014
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Bank borrowings:				
— Secured .....	198,500	90,000	145,000	99,000
— Unsecured .....	35,000	80,000	130,000	135,000
	<u>233,500</u>	<u>170,000</u>	<u>275,000</u>	<u>234,000</u>
Carrying amounts repayable:				
— Within one year .....	233,500	170,000	215,000	234,000
— More than one year, but not exceeding two years .....	—	—	60,000	—
	<u>233,500</u>	<u>170,000</u>	<u>275,000</u>	<u>234,000</u>
Less: Amounts due within one year shown under current liabilities .....	<u>233,500</u>	<u>170,000</u>	<u>215,000</u>	<u>234,000</u>
	<u>—</u>	<u>—</u>	<u>60,000</u>	<u>—</u>
The exposure of bank borrowings:				
— Fixed rate borrowings .....	113,500	60,000	235,000	234,000
— Variable rate borrowings .....	120,000	110,000	40,000	—
	<u>233,500</u>	<u>170,000</u>	<u>275,000</u>	<u>234,000</u>

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

	August 31,			February 28,
	2011	2012	2013	2014
Effective interest rate:				
Variable-rate borrowings .....	5.88% - 7.32%	6.14% - 7.54%	6.30% - 6.90%	N/A
Fixed rates borrowings .....	5.31% - 7.27%	5.56% - 7.87%	6.00% - 7.87%	6.00% - 6.90%

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 26. BANK BORROWINGS – continued

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

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

### 27. DEPOSIT RECEIVED IN RESPECT OF DISPOSAL OF PROPERTIES

On September 22, 2009, the Group signed a transfer agreement with an independent third party to transfer all the buildings and land use right in a campus of Dalian Maple Leaf High School, with a total consideration of RMB110 million. The Group has received total deposit of RMB30 million, RMB60 million, RMB70 million and RMB80 million as at August 31, 2011, 2012 and 2013 and February 28, 2014 respectively.

However, due to certain authority approval from local government has not been obtained yet, the disposal has not been completed as at February 28, 2014. According to the supplementary agreement signed on 1 November 2013, if the authority approval could not be obtained and the disposal could not be completed by December 31, 2016, the transferee has the right to send termination notice to the Group to terminate the disposal transaction.

### 28. SHARE CAPITAL

The Group and The Company	Number of shares	Shown in the Financial Information as	
		Amount US\$’000	RMB’000
Ordinary shares of US\$0.001 each Authorized .....			
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014 .....	179,000,000	179	1,271
Issued and fully paid .....			
At September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014 .....	72,000,000	72	511

### 29. RESERVES

#### The Group

#### (a) Share premium

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

#### (b) Statutory surplus reserve

Pursuant to the relevant laws in 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 directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.

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

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 29. RESERVES – continued

The Company	Share premium	Investment valuation reserve	Share option reserve	Accumulated losses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At September 1, 2010 .....	24,940	—	3,569	(48,370)	(19,861)
Loss and total comprehensive expense for the year .....	—	—	—	(128,162)	(128,162)
Share-base payments .....	—	—	353	—	353
At August 31, 2011 .....	24,940	—	3,922	(176,532)	(147,670)
Other comprehensive income for the year .....	—	63	—	—	63
Loss for the year .....	—	—	—	(13,467)	(13,467)
Total comprehensive income (expense) for the year .....	—	63	—	(13,467)	(13,404)
Share-base payments .....	—	—	72	—	72
At August 31, 2012 .....	24,940	63	3,994	(189,999)	(161,002)
Other comprehensive income for the year .....	—	316	—	—	316
Loss for the year .....	—	—	—	(72,211)	(72,211)
Total comprehensive income (expense) for the year .....	—	316	—	(72,211)	(71,895)
Share-base payments .....	—	—	31	—	31
At August 31, 2013 .....	24,940	379	4,025	(262,210)	(232,866)
Other comprehensive expenses for the period ...	—	(176)	—	—	(176)
Profit for the period .....	—	—	—	13,773	13,773
Total comprehensive (expense) income for the period .....	—	(176)	—	13,773	13,597
At February 28, 2014 .....	24,940	203	4,025	(248,437)	(219,269)

### 30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS

The Group and the Company	Number of shares	Nominal amount
		US\$’000
Redeemable convertible preferred shares of \$0.001 each:		
<u>Authorized</u>		
Balance at September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014 .....	21,000,000	21
<u>Issued and fully paid</u>		
Balance at September 1, 2010, August 31, 2011, 2012 and 2013 and February 28, 2014 .....	18,000,000	18

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

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued

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

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

#### Redemption

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

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

#### Valuation adjustment

In the event that the net income as stated in the Company’s 2008 consolidated financial statements is less than RMB68,600,000, the post money valuation of the Company will be adjusted from RMB900,000,000 to the New Valuation (as defined below). Then the Company shall issue additional Series A Preferred Shares to Sequoia to reflect Sequoia’s increased percentage of ownership in the Company as a result of the downward adjustment of the post money valuation of the Company from RMB900,000,000 to the New Valuation using the following formula:

The New Valuation = Net profit after tax x 12.857.

Then the percentage of ownership of preferred shares will be adjusted as RMB180,000,000/the New Valuation. In the event the net income as stated in the Company’s 2008 consolidated financial statements is greater than RMB68,600,000, there will have no valuation adjustment.

In February 2011, the Company signed a share adjustment agreement with Sequoia to adjust the conversion price from RMB10 to RMB8.411477 as a resolution to such contingent valuation adjustment. On the same day, the conversion price for the Warrants was revised from RMB10 to RMB8.411477 and the number of conversion share for the preferred shares was revised from 18,000,000 to 21,399,333.

#### Conversion

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



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**APPENDIX I****ACCOUNTANTS’ REPORT**

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**30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued****Voting rights**

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

**Dividend**

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

**Liquidation preference**

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

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

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

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

The fair value of equity value at August 31, 2011, 2012 and 2013 and February 28, 2014 was determined by using valuation technique of discounted cash flow analysis. The fair value of the Series A Preferred Shares and warrants was determined by option pricing method. The present value of the estimated future cash flow is discounted at the weighted average cost of capital (“WACC”) of 14%, 15%, 15% and 15% at August 31, 2011, 2012 and 2013 and February 28, 2014 respectively.

No dividend was paid to the Series A Preferred Shares shareholders during the Relevant Periods.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued

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

	August 31,			
	2011	2012	2013	February 28, 2014
Methodology . . . . .	Option-pricing method	Option-pricing method	Option-pricing method	Option-pricing method
Estimated probability of the Series A Preferred Shares				
— for liquidation . . . . .	20%	15%	10%	10%
— for redemption . . . . .	20%	15%	10%	10%
— for conversion . . . . .	60%	70%	80%	80%
Risk-free rate				
— for liquidation . . . . .	1.01%	1.18%	1.12%	1.24%
— for redemption . . . . .	1.01%	1.18%	1.12%	1.24%
Time to expiration (number of years) . . . . .	2.08	2.08	1.08	0.59
Preferred shares dividend yield . . . . .	0%	0%	0%	0%
Volatility				
— for redemption . . . . .	50.8%	51.8%	45.6%	52.0%
— for liquidation . . . . .	50.8%	51.8%	45.6%	52.0%

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

- The estimation of risk free rate is based on the yield to maturity of the PRC Government International Bond matured at time close to the [REDACTED] timing as of valuation date.
- Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies.

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

	August 31,			January 15,
	2011	2012	2013	2014
Expiration of Warrants . . . . .	2013.9.30	2014.9.30	2014.9.30	2014.9.30
Fair value per Series A Preferred Share as of valuation date (RMB) . . . . .	17.07	17.65	21.19	22.51
Exercise price (RMB) . . . . .	8.41	8.41	8.41	8.41
Risk free rate of interest . . . . .	1.01%	1.18%	1.12%	1.24%
Dividend yield . . . . .	0.0%	0.0%	0.0%	0.0%
Expected time to exercise (years) . . . . .	2.08	2.10	1.10	0.50
Volatility . . . . .	50.8%	51.8%	45.6%	52.0%

The assumptions adopted for the valuation of Warrants were as follows

- The estimation of risk free rate is based on the yield to maturity of the PRC Government International Bond matured at time close to the [REDACTED] timing as of valuation date.
- Volatility is estimated based on annualized standard deviation of daily stock price return of comparable companies.

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## ACCOUNTANTS’ REPORT

### 30. REDEEMABLE CONVERTIBLE PREFERRED SHARES AND WARRANTS – continued

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

The Group and the Company	Redeemable convertible preferred shares	Warrants
	RMB’000	RMB’000
At September 1, 2010	203,220	6,660
Changes in fair value recognized in profit or loss	104,040	21,960
At August 31, 2011	307,260	28,620
Changes in fair value recognized in profit or loss	10,440	1,785
At August 31, 2012	317,700	30,405
Changes in fair value recognized in profit or loss	63,720	8,410
At August 31, 2013	381,420	38,815
Changes in fair value recognized in profit or loss	23,692	3,695
Gain on cancellation of warrants	—	(42,510)
At February 28, 2014	405,112	—

### 31. RETIREMENT BENEFIT PLANS

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

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

### 32. SHARE-BASED PAYMENTS

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

Details of specific category of options are as follows:

Options type	Date of grant	Date of expiration	Shares granted	Vesting period	Exercisable period	Exercise price	Fair value at grant date
						RMB	RMB
1st	1.9.2008	31.8.2018	1,520,000	1.9.2008—31.8.2012	1.9.2009—31.8.2018	10	2.43
2nd	1.9.2009	31.8.2018	320,000	1.9.2009—31.8.2013	1.9.2010—31.8.2019	10	2.79
3rd	1.9.2011	31.8.2018	100,000	1.9.2011—31.8.2015	1.9.2012—31.8.2021	14.19	12.62

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## ACCOUNTANTS’ REPORT

### 32. SHARE-BASED PAYMENTS – continued

The following table discloses movements of the Company’s share options held by directors of the Company, employees and the consultants during the years ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2014 respectively:

For the year ended August 31, 2011

	Date of grant	Option type	Outstanding at 1/9/2010	Cancelled during the year	Forfeited during the year	Outstanding at 31/8/2011
<b>Executive director</b>						
Zhang Jingxia .....	1/9/2008	1st	70,000	—	—	70,000
<b>Employees and consultant</b>						
In aggregate .....	1/9/2008	1st	1,420,000	(35,000)	(100,000)	1,285,000
	1/9/2009	2nd	260,000	(20,000)	(50,000)	190,000
Total .....			<u>1,750,000</u>	<u>(55,000)</u>	<u>(150,000)</u>	<u>1,545,000</u>
Exercisable at the end of the year ....						<u>889,000</u>

For the year ended August 31, 2012

	Date of grant	Option type	Outstanding at 31/8/2011	Granted during the year	Forfeited during the year	Outstanding at 31/8/2012
<b>Executive director</b>						
Zhang Jingxia .....	1/9/2008	1st	70,000	—	—	70,000
<b>Employees and consultant</b>						
In aggregate .....	1/9/2008	1st	1,285,000	—	(100,000)	1,185,000
	1/9/2009	2nd	190,000	—	(30,000)	160,000
	1/9/2011	3rd	—	100,000	(100,000)	—
Total .....			<u>1,545,000</u>	<u>100,000</u>	<u>(230,000)</u>	<u>1,415,000</u>
Exercisable at the end of the year .....						<u>1,100,000</u>

For the year ended August 31, 2013

	Date of grant	Option type	Outstanding at 31/8/2012	Granted during the year	Forfeited during the year	Outstanding at 31/8/2013
<b>Executive director</b>						
Zhang Jingxia .....	1/9/2008	1st	70,000	—	—	70,000
<b>Employees and consultant</b>						
In aggregate .....	1/9/2008	1st	1,185,000	—	(30,000)	1,155,000
	1/9/2009	2nd	160,000	—	—	160,000
Total .....			<u>1,415,000</u>	<u>—</u>	<u>(30,000)</u>	<u>1,385,000</u>
Exercisable at the end of the year .....						<u>1,353,000</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 32. SHARE-BASED PAYMENTS – continued

For the six months ended February 28, 2014

	Date of grant	Option type	Outstanding at 31/8/2013	Granted during the period	Forfeited during the period	Outstanding at 28/2/2014
<b>Executive director</b>						
Zhang Jingxia . . . . .	1/9/2008	1st	70,000	—	—	70,000
<b>Employees and consultant</b>						
In aggregate . . . . .	1/9/2008	1st	1,155,000	—	(100,000)	1,055,000
	1/9/2009	2nd	160,000	—	—	160,000
Total . . . . .			<u>1,385,000</u>	<u>—</u>	<u>(100,000)</u>	<u>1,285,000</u>
Exercisable at the end of the period . . . . .						<u>1,285,000</u>

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

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

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

	Option types		
	1st	2nd	3rd
Fair value of ordinary share (RMB) . . . . .	6.41	7.34	11.91
Exercise price (RMB) . . . . .	10	10	14.19
Expected volatility . . . . .	50%	51%	53%
Contractual option life . . . . .	10	10	10
Dividend yield . . . . .	0.00%	0.00%	0.00%
Risk-free interest rate . . . . .	5.36%	4.43%	4.23%
Exercise multiple . . . . .	2.0	2.0	2.0
Total estimated fair value of the options granted (RMB’000) . . . . .	<u>3,694</u>	<u>893</u>	<u>1,262</u>

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 32. SHARE-BASED PAYMENTS – continued

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

(1) Risk-free interest rate

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

(2) Dividend yield

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

(3) Expected volatility

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

(4) Contractual option life

The option life was the original contractual term.

(5) Exercise multiple

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

(6) Exercise price

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

(7) Fair value of ordinary share

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

The Group recognized the total expense of RMB353,000, RMB72,000, RMB31,000, RMB11,000 (unaudited) and RMB Nil for the year ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013 and 2014, respectively, in relation to share options granted by the Company.

### 33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 26, redeemable convertible preferred shares disclosed in note 30, bank balance and cash, and equity attributable to equity holders of the Company, comprising capital, reserves and accumulated profits.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 33. CAPITAL RISK MANAGEMENT – continued

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issue of redeemable convertible preferred shares to strategic investors, raising of new debts as well as the redemption of the existing debt.

### 34. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	The Group				The Company			
	At August 31,			At February 28, 2014	At August 31,			At February 28, 2014
	2011	2012	2013		2011	2012	2013	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets								
Loans and receivables . . . . .								
(including cash and cash equivalents) . . . . .	238,385	297,743	411,880	196,176	321	455	1,968	3,890
Available-for-sale investments . . . . .	4,418	3,177	3,493	3,317	4,418	3,177	3,493	3,317
	<u>242,803</u>	<u>300,920</u>	<u>415,373</u>	<u>199,493</u>	<u>4,739</u>	<u>3,632</u>	<u>5,461</u>	<u>7,207</u>
Financial liabilities								
Liabilities measured at amortized cost . . . . .	323,259	280,730	458,571	366,597	8,714	8,714	10,277	13,549
Redeemable convertible preferred shares (see below) . . . . .	307,260	317,700	381,420	405,112	307,260	317,700	381,420	405,112
Warrants . . . . .	28,620	30,405	38,815	—	28,620	30,405	38,815	—
	<u>659,139</u>	<u>628,835</u>	<u>878,806</u>	<u>771,709</u>	<u>344,594</u>	<u>356,819</u>	<u>430,512</u>	<u>418,661</u>

#### Financial liabilities designated as FVTPL — Redeemable convertible preferred shares

	At August 31,			At February 28, 2014
	2011	2012	2013	
	RMB’000	RMB’000	RMB’000	RMB’000
Changes in fair value attributable to changes in credit risk recognized during the year/period <sup>(Note)</sup> . . . . .	—	—	—	—
Difference between carrying amount and maturity amount				
At fair value . . . . .	307,260	317,700	381,420	405,112
Amount payable at maturity . . . . .	229,800	244,200	258,600	265,800
	<u>77,460</u>	<u>73,500</u>	<u>122,820</u>	<u>139,312</u>

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



## APPENDIX I

## ACCOUNTANTS’ REPORT

### 34. FINANCIAL INSTRUMENTS – continued

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

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

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

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

#### Market risk

##### (i) Currency risk

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

	The Group				The Company			
	At August 31,			At February 28,	At August 31,			At February 28,
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
USD								
Assets . . . .	2,138	3,587	4,549	7,961	—	—	1,580	3,248
HK\$								
Assets . . . .	4,778	3,793	4,021	3,827	4,739	3,632	3,880	3,662
Liability . . .	11,523	11,506	11,192	11,095	—	—	—	—

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 34. FINANCIAL INSTRUMENTS – continued

#### Market risk – continued

##### (i) Currency risk – continued

#### *Sensitivity analysis*

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

	The Group				The Company			
	At August 31,			At February 28, 2014	At August 31,			At February 28, 2014
	2011	2012	2013		2011	2012	2013	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Profit or loss related to USD .....	107	179	227	398	—	—	79	162
Profit or loss related to HK\$ .....	(558)	(544)	(534)	(529)	16	23	19	17
Other equity related to HK\$ .....	221	159	175	166	221	159	175	166
	(337)	(385)	(359)	(363)	237	182	194	183

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year/period end exposure at the end of the reporting period does not reflect the exposure during the respective years/periods.

##### (ii) Interest rate risk

The Group’s fair value interest rate risk relates primarily to its fixed-rate bank borrowings and redeemable convertible preferred shares. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and bank borrowings (note 26 for details of bank borrowings) which carried at prevailing market interest rates. It is the Group’s policy to keep certain borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 34. FINANCIAL INSTRUMENTS – continued

#### Market risk – continued

##### (ii) Interest rate risk – continued

#### *Sensitivity analysis – continued*

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group’s post-tax profit for the years ended August 31, 2012 and 2013 and for the six months ended February 28, 2014 would decrease/increase by RMB57,000, RMB59,000 and RMB32,000, respectively, and the Group’s post-tax loss for the year ended August 31, 2011 would increase/decrease by RMB56,000. This is mainly attributable to the Group’s exposure to interest rates on its bank borrowings.

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposure at the end of the reporting period does not reflect the exposure during the respective years/periods.

##### (iii) Equity price risk

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

#### *Sensitivity analysis*

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

If the price of the respective equity instruments had been 5% higher, the potential effect on investment valuation reserve for the years ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2014 would increase by RMB221,000, RMB159,000, RMB175,000 and RMB166,000, respectively. If the price of the respective equity instruments had been 5% lower, the potential effect on the Group’s post-tax profit for the years ended August 31, 2012 and 2013 and for the six months ended February 28, 2014 would decrease by RMB159,000, RMB175,000 and RMB166,000, respectively, and the Group’s post-tax loss for the year ended August 31, 2011 would increase by RMB221,000.

The Group’s sensitivity analysis to redeemed convertible preferred shares and warrants is set out in note 34(c).

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the year/period end exposure at the end of the reporting period does not reflect the exposure during the respective years/periods.

#### **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 recognized financial assets as stated in the consolidated statements 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

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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**34. FINANCIAL INSTRUMENTS – continued****Credit risk – continued**

past experience. The directors of the Company believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables.

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

**Liquidity risk**

In management of the liquidity risk, the Group and the Company monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group’s and the Company’s operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank loans as a significant source of liquidity. In preparing the Financial Information, the management of the Group has given careful consideration to the liquidity of the Group in light of the fact that the current liabilities exceed its current assets as at August 31, 2011, 2012 and 2013 and as at February 28, 2014 and have been taking steps to improve the liquidity of the Group. As set out in note 1, taking into account the financial resources of the Group, including the Group’s unutilized banking facilities, the binding agreements signed with banks from February 2014 to May 2014 to renew or refinance the banking facilities upon maturity, and the supplement agreement signed in June 2014 by the Company and the shareholders of the Series A Preferred Shares that the Series A Preferred Shares would not be redeemed until December 31, 2015, the directors of the Company consider the Group’s and the Company’s liquidity risk is minimal.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 34. FINANCIAL INSTRUMENTS – continued

#### Liquidity risk – continued

The following tables detail the Group’s and the Company’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. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
The Group								
Non derivative financial liabilities								
Other payables	—	72,637	—	—	—	—	72,637	72,637
Amounts due to related parties	—	13,822	—	—	—	—	13,822	13,822
Other non-current liabilities	—	—	—	—	1,500	1,800	3,300	3,300
Bank borrowings								
— fixed rate	6.35	581	64,354	51,091	—	—	116,026	113,500
— variable rate	6.69	668	1,337	124,130	—	—	126,135	120,000
At August 31, 2011		87,708	65,691	175,221	1,500	1,800	331,920	323,259
FVTPL								
Redeemable convertible preferred shares	9.79	—	—	229,800	—	—	229,800	307,260
Warrants	—	—	—	—	—	—	—	28,620
At August 31, 2011		—	—	229,800	—	—	229,800	335,880
Non derivative financial liabilities								
Other payables	—	93,925	—	—	—	—	93,925	93,925
Amounts due to related parties	—	13,805	—	—	—	—	13,805	13,805
Other non-current liabilities	—	—	—	—	1,500	1,500	3,000	3,000
Bank borrowings								
— fixed rate	7.43	372	743	61,487	—	—	62,602	60,000
— variable rate	7.02	40,658	20,700	51,362	—	—	112,720	110,000
At August 31, 2012		148,760	21,443	112,849	1,500	1,500	286,052	280,730
FVTPL								
Redeemable convertible preferred shares	8.00	244,200	—	—	—	—	244,200	317,700
Warrants	—	—	—	—	—	—	—	30,405
At August 31, 2012		244,200	—	—	—	—	244,200	348,105
Non derivative financial liabilities								
Other payables	—	167,380	—	—	—	—	167,380	167,380
Amounts due to related parties	—	13,491	—	—	—	—	13,491	13,491
Other non-current liabilities	—	—	—	—	1,500	1,200	2,700	2,700
Bank borrowings								
— fixed rate	6.68	41,271	2,142	140,587	61,691	—	245,691	235,000
— variable rate	6.30	210	40,210	—	—	—	40,420	40,000
At August 31, 2013		222,352	42,352	140,587	63,191	1,200	469,682	458,571
FVTPL								
Redeemable convertible preferred shares	8.00	258,600	—	—	—	—	258,600	381,420
Warrants	—	—	—	—	—	—	—	38,815
At August 31, 2013		258,600	—	—	—	—	258,600	420,235
Non derivative financial liabilities								
Other payables	—	116,803	—	—	—	—	116,803	116,803
Amounts due to related parties	—	13,394	—	—	—	—	13,394	13,394
Other non-current liabilities	—	—	—	—	1,500	900	2,400	2,400
Bank borrowings								
— fixed rate	6.41	71,154	1,785	169,189	—	—	242,128	234,000
At February 28, 2014		201,351	1,785	169,189	1,500	900	374,725	366,597

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## ACCOUNTANTS’ REPORT

### 34. FINANCIAL INSTRUMENTS – continued

#### Liquidity risk – continued

	56	Weighted average effective interest rate %	On demand or less than 1 month RMB’000	1-3 months RMB’000	3 months to 1 year RMB’000	1-5 years RMB’000	>5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
FVTPL									
Redeemable convertible preferred shares at February 28, 2014 . . .		8.00	265,800	—	—	—	—	265,800	405,112
The Company									
Non derivative financial liabilities . . . . .									
Amounts due to subsidiaries . . . .									
— at August 31, 2011 . . . . .		—	8,714	—	—	—	—	8,714	8,714
FVTPL									
Redeemable convertible preferred shares . . . . .		9.79	—	—	229,800	—	—	229,800	307,260
Warrants . . . . .		—	—	—	—	—	—	—	28,620
At August 31, 2011 . . . . .			—	—	229,800	—	—	229,800	335,880
Non derivative financial liabilities									
Amounts due to subsidiaries									
— at August 31, 2012 . . . . .		—	8,714	—	—	—	—	8,714	8,714
FVTPL									
Redeemable convertible preferred shares . . . . .		8.00	244,200	—	—	—	—	244,200	317,700
Warrants . . . . .		—	—	—	—	—	—	—	30,405
At August 31, 2012 . . . . .			244,200	—	—	—	—	244,200	348,105
Non derivative financial liabilities									
Other payables . . . . .		—	126	—	—	—	—	126	126
Amounts due to subsidiaries . . . .		—	10,151	—	—	—	—	10,151	10,151
At August 31, 2013 . . . . .			10,277	—	—	—	—	10,277	10,277
FVTPL . . . . .									
Redeemable convertible preferred shares . . . . .		8.00	258,600	—	—	—	—	258,600	381,420
Warrants . . . . .		—	—	—	—	—	—	—	38,815
At August 31, 2013 . . . . .			258,600	—	—	—	—	258,600	420,235
Non derivative financial liabilities									
Other payables . . . . .		—	1,159	—	—	—	—	1,159	1,159
Amounts due to subsidiaries . . . .		—	12,390	—	—	—	—	12,390	12,390
At February 28, 2014 . . . . .			13,549	—	—	—	—	13,549	13,549
FVTPL									
Redeemable convertible preferred shares at February 28, 2014 . . .		8.00	265,800	—	—	—	—	265,800	405,112

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 34. FINANCIAL INSTRUMENTS – continued

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

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

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

Finance assets/ Financial liabilities	Fair value as at				Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
	August 31, 2011	August 31, 2012	August 31, 2013	February 28, 2014			
1) Listed available-for-sale investments (see note 19)	Listed equity securities: — Telecom industry RMB2,589,000 — Finance industry RMB1,829,000	Listed equity securities: — Telecom industry RMB1,355,000 — Finance industry RMB1,822,000	Listed equity securities: — Telecom industry RMB1,327,000 — Finance industry RMB2,166,000	Listed equity securities: — Telecom industry RMB1,163,000 — Finance industry RMB2,154,000	Level 1	Quoted bid prices in an active market	—
2) Redeemable convertible preferred shares (see note 30)	Liabilities- RMB307,260,000	Liabilities- RMB317,700,000	Liabilities- RMB381,420,000	Liabilities- RMB405,112,000	Level 3	Discounted cash flow analysis and option pricing method Key inputs: compound annual growth rate (the “CAGR”) and WACC to determine the enterprise fair value, probability of automatic conversion, risk-free rate, time to expiration, dividend yield and volatility	— Compound annual growth rate (21%, 15%, 15% and 15% as at 31 August 2011, 2012, and 2013 and at 28 February 2014) — Probability of automatic conversion (60%, 70%, 80% and 80% as at August 31, 2011, 2012 and 2013 and at February 28, 2014, respectively) — WACC (14%, 15%, 15% and 15% as at August 31, 2011, 2012 and 2013 and at February 28, 2014, respectively)
3) Warrants (see note 30)	Liabilities- RMB28,620,000	Liabilities- RMB30,405,000	Liabilities- RMB38,815,000	—	Level 3	Black Scholes option pricing model Key inputs: risk-free rate, expected time to exercise, fair value per Series A Preferred Share as of the valuation date, exercise price, dividend yield and volatility	— Fair value per Series A Preferred Shares as of the valuation date

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the redeemable convertible preferred shares and warrants are set out in note 30.

The Group recognized change in fair value on redeemable convertible preferred shares included in the profit or loss of RMB104,040,000, RMB10,440,000, RMB63,720,000, RMB37,800,000 (unaudited), RMB23,692,000 relates to redeemable convertible preferred shares held for the years ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013 and 2014, respectively. The Group recognized change in fair value on warrants included in the profit or loss of RMB21,960,000, RMB1,785,000, RMB8,410,000, RMB5,241,000 (unaudited), RMB3,695,000 relates to warrants for the years ended August 31, 2011, 2012 and 2013 and for the six months ended February 28, 2013 and 2014, respectively.



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## ACCOUNTANTS’ REPORT

### 34. FINANCIAL INSTRUMENTS – continued

#### Fair value measurements and valuation processes

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

In determining the fair value of redeemable convertible preferred shares, CAGR of 21%, 15%, 15%, and 15%, probability of automatic conversion of 60%, 70%, 80% and 80% and a WACC of 14%, 15%, 15% and 15% are used as of August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If CAGR was 0.5% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase/decrease by approximately RMB3,600,000, RMB10,260,000, RMB13,680,000, RMB15,840,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If probability of automatic conversion was 5% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease/increase by approximately RMB4,894,000, RMB4,945,000, RMB3,908,000 and RMB3,779,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If WACC was 1% higher while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease by approximately RMB19,661,000, RMB18,452,000, RMB21,832,000 and RMB23,868,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively. If WACC was 1% lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase by approximately RMB24,084,000, RMB21,393,000, RMB26,128,000 and RMB28,691,000 as at August 31, 2011, 2012 and 2013 and February 28, 2014, respectively.

In determining the fair value of warrants, the fair value per Series A Preferred Share of RMB17.07, RMB17.65 and RMB21.19 are used as at August 31, 2011, 2012 and 2013, respectively. If fair value per Series A Preferred Share was 5% higher/lower while all the other variables were held constant, the carrying amount of the warrants would increase/decrease by approximately RMB2,340,000, RMB2,430,000 and RMB3,120,000 as at August 31, 2011, 2012 and 2013, respectively.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

There were no transfers between Level 1 and Level 2 in the Relevant Periods.

### 35. OPERATING LEASES

#### The Group as lessee

Minimum lease payments paid under operating leases during the Relevant Periods:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Premises .....	3,332	3,204	3,625	1,696	1,914

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## ACCOUNTANTS’ REPORT

### 35. OPERATING LEASES – continued

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

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year . . . . .	3,204	3,625	3,843	3,513
In the second to fifth year inclusive . . . . .	11,802	10,423	9,001	7,072
Over five years . . . . .	3,173	1,233	321	233
	<u>18,179</u>	<u>15,281</u>	<u>13,165</u>	<u>10,818</u>

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 ended August 31, 2011, 2012 and 2013 and the six months ended February 28, 2013 and 2014 was RMB1,025,000, RMB3,630,000, RMB3,755,000 and RMB1,867,000 (unaudited) and RMB1,888,000 respectively. The properties are expected to generate rental yields of 14% on an ongoing basis. Certain of the properties held have committed tenants for the next 2 years.

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

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year . . . . .	2,065	3,196	3,484	2,904
In the second to fifth year inclusive . . . . .	5,881	8,297	3,625	2,355
	<u>7,946</u>	<u>11,493</u>	<u>7,109</u>	<u>5,259</u>

### 36. CAPITAL COMMITMENTS

	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of — property, plant and equipment . . . . .	<u>6,022</u>	<u>11,370</u>	<u>23,684</u>	<u>14,946</u>

There were no capital commitments for which were authorized but not contracted for as at August 31, 2011, 2012 and 2013 and February 28, 2014.

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## ACCOUNTANTS’ REPORT

### 37. RELATED PARTY TRANSACTIONS AND BALANCES

The following balances were the amounts due to related parties:

Name of related parties	At August 31,			At February 28,
	2011	2012	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000
Sherman Jen . . . . .	13,622	13,605	13,291	13,194
Mrs. Ren Shu’e <sup>(i)</sup> . . . . .	200	200	200	200
	<u>13,822</u>	<u>13,805</u>	<u>13,491</u>	<u>13,394</u>

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

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

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the Relevant Periods are as follow:

	Year ended August 31,			Six months ended February 28,	
	2011	2012	2013	2013	2014
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Short-term benefits . . . . .	1,662	3,941	4,604	2,235	2,404
Post-employment benefits . . . . .	11	9	11	4	11
Share-based payments . . . . .	34	37	—	—	—
	<u>1,707</u>	<u>3,987</u>	<u>4,615</u>	<u>2,239</u>	<u>2,415</u>

### B. SUBSEQUENT EVENTS

The following events took place subsequent to the reporting date:

On [ ] 2014, the Company has approved the issuance of [906,600,668] shares standing to the credit of the share premium of the Company conditional on the share premium account of the Company being credited as a result of the [REDACTED] of the shares of the Company under [REDACTED] on or around the [REDACTED], details of which are set out in Appendix [VI] to the [REDACTED].

On June 2, 2014, the Company granted 1,275,000 share options to subscribe for an aggregate of 13,651,061 shares, as adjusted for the effect of [REDACTED]. The exercise price for the share options granted is RMB10, or RMB0.93 as adjusted for the effect of [REDACTED].

### C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to February 28, 2014.

Yours faithfully,

**[Deloitte Touche Tohmatsu]**

Certified Public Accountants

Hong Kong

[Date]