



XIAOXIAO EDUCATION LIMITED

ACN 140 573 762

Suite 801 | Level 8 | 5 Elizabeth Street | Sydney NSW 2000 | Australia

COMMENTARY ON HALF-YEAR RESULTS TO 30 JUNE 2011

For the information of Shareholders and the general market, the Board of Xiaoxiao Education Limited (ASX:XXL) have authorised the release of details of the Company's results for the YTD period 1 January – 30 June 2011. It should be noted that, in accordance with Chinese accounting practices, Xiaoxiao's financial year runs January to December. Through this Commentary, the Xiaoxiao Board seeks to provide a brief update to its Shareholders and the market, on the results achieved for the first half of 2011 and its plans for the remaining half of the year.

In what has proven to be a difficult first half, the Directors are please to advise an increase in revenues over the same period of the previous year. However, with the need for a one-off impairment charge of \$1,705,929 (see below) and a depreciation and amortisation charge of \$391,238, the Company has reported a first-half loss of \$A1,837,243. It should be noted that the non-cash impairment charge, combined with the depreciation costs for the half-year are marginally equivalent to the reported half-year loss.

The Directors have reviewed the carrying values of its non-current assets as part of a review of its half-year performance. Based on the performance of its existing business, which as previously reported has had to adapt to changed market demand in China, in particular the move from residential pre-schools to day care, and after discussions with the Company's auditor, the Board has authorised a one-off impairment charge of \$A1,705,929 in the half-year.

Xiaoxiao Education continues to maintain its strong reputation as the industry leader in China. The Company has excellent relationships with government throughout China, both local and national, and an envied brand recognition in the market. The Chinese Government continues to encourage reputable and experienced private providers to increase their market share and reduce the burden on state owned facilities. Xiaoxiao has recently received a higher educational accreditation from the Chinese Education Authorities. This accreditation will allow Xiaoxiao access to Government subsidies and preferential treatment in educational matters.

The Company's accounts continue to suffer from the negative effect of the strengthening Australian dollar. As stated in the Commentary to the Company's recent Appendix 4C, the Board continues to carefully monitor the Company's cash flow. As has been explained in previous notices to the market, Xiaoxiao's fee payment system, takes on payments from enrolments twice yearly, once in the first quarter, and once in the third quarter. This is in concurrence with the start of school terms in China, in March and September of each year. In addition, the Company maintains strong management of operating and administration costs.

As previously announced, Xiaoxiao's consolidation of its assets and acquisitions, both in China and in Australia, continues. The Company continues to focus on the integration of its new pre-school acquisitions. Xiaoxiao is ensuring that the operations and management of these new facilities are adhering to the Company's strict quality guidelines and protocols. In Australia, the Breakfast Point Childcare Centre is also being carefully integrated into the Xiaoxiao family and has strong current enrolments.

About Xiaoxiao Education Limited

Xiaoxiao operates a successful childhood education business in China with over 4,000 enrolled students in its pre-schools, and in excess of 4,000 additional children attending extra-curricular programs out of school hours and during holiday periods. The Company now has 12 pre-schools including 1 in New South Wales, Australia. In addition, Xiaoxiao has approximately 8,000 students attending short courses at its Hangzhou Binjiang Art Training School.

The Company employs over 500 staff, and has a regional R&D facility located in Beijing.

With an established and highly successful track record earned over 15 years; a growing portfolio of well located pre-schools; the adoption of quality international standards and breakthrough teaching methodologies; outstanding facilities; a scalable management structure, and an emphasis on teaching English as a second language during the important early childhood years, Xiaoxiao Education Limited is well positioned to lead the private pre-school education market in China and to develop similar opportunities elsewhere.

For further information please contact:

Rita Wang
Company Secretary
Xiaoxiao Education Limited
Ph: 0433 595539

Xiaoxiao Education Limited
Suite 801, Level 8, 5 Elizabeth Street
Sydney NSW 2000 Australia



31 August 2011

Company Announcements Office
ASX Limited
Level 5, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir or Madam

Xiaoxiao Education Ltd

In accordance with the Listing Rules, below is the Appendix 4D - Half-Yearly Report for the half-year ended 30 June 2011 for immediate release:

1. Details of the reporting period and the previous corresponding period	30 June 2011 \$	30 June 2010 \$	% change
2. Results for announcement to the market			
2.1 <i>Revenue from ordinary activities</i>	3,315,490	3,249,757	2.02%
2.2 <i>Profit (loss) from ordinary activities after tax attributable to members</i>	(1,837,243)	(1,688,852)	8.79%
2.3 <i>Net profit (loss) for the period attributable to members</i>	(1,837,243)	(1,688,852)	8.79%
2.4 <i>Dividend distributions</i>	No dividends have been proposed		
2.5 <i>Record date for determining entitlements to the dividend</i>	Not applicable		
2.6 <i>Explanation of any figures in 2.1 to 2.5 that may be required</i>	Net loss of \$1,837,243 is after the impairment of intangibles of \$1,705,929 and depreciation and amortization charge of \$391,238 (refer to page 5 of Consolidated Statement of Comprehensive Income).		
3. Net tangible assets per security	2.69 cents	4.65 cents	(42.15%)
4. Control gained or lost over entities	Xiaoxiao Education Limited acquired a child care centre at Breakfast Point for a consideration of \$290,000 on 14 March 2011 (refer to Note 8).		
5. Dividend payments	No dividends have been paid to shareholders		
6. Dividend reinvestment plan details	No dividend reinvestment plans are in operation		



7. Associates and joint venture entities	30 June 2011			30 June 2010		
	Holding %	Aggregate share of profits /(losses)	Contributions to net profit	Holding %	Aggregate share of profits /(losses)	Contributions to net profit
	There are no associated or joint venture entities					
8. Foreign entities accounting standards	Not applicable					
9. Audit/review of accounts upon which this report is based	Independent Audit/Review Report will be lodged with the ASX as part of the half- year financial report for the period ended 30 June 2011					

**XIAOXIAO EDUCATION LIMITED
AND ITS CONTROLLED ENTITIES**

ABN 26 140 573 762



**HALF-YEAR FINANCIAL REPORT
ENDED 30 JUNE 2011**



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CORPORATE INFORMATION

ABN 26 140 573762

Directors

Yongrong Tong (Executive Chair)
Roger Smeed (Deputy Chair)
Ernest Kwok Wong
Yinong Ye
Xuhua Li
Hongxia Lu
Hao Zhang

Company Secretary

Rita Wang

Registered Office

Suite 801, Level 8, 5 Elizabeth Street,
Sydney, NSW 2000, Australia

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnstone Street
Abbotsford, Victoria 3067, Australia
Phone: 1300 850 505

**Xiaoxiao Education Limited Shares are listed on the Australian Securities Exchange (ASX)
ASX Code: XXL**

Banker

Commonwealth Bank
Cnr London Circuit and Ainslie Avenue
Canberra, ACT 2601

Auditor

Grant Thornton Audit Pty Ltd
Level 1, 67 Greenhill Road
Wayville, South Australia 5034

Legal Advisor

Norton Rose
RACV Tower,
485 Bourke Street
Melbourne, Victoria 3000

Website Address

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All monetary amounts in this Report are in Australian dollars unless stated otherwise
The financial year begins on 1 January and ends on 31 December each year



Directors' Report

Your directors present this interim report on the consolidated entity (referred hereafter as "the XXL Group"), consisting of Xiaoxiao Education Limited and its controlled entities for the half-year ended 30 June 2011.

Directors

The following persons were directors of Xiaoxiao Education Limited ("the Company") during the financial period and up to the date of this report unless otherwise stated:

Roger Smeed	- appointed 16 November 2009
Xuhua Li	- appointed 16 November 2009
Hongxia Lu	- appointed 16 November 2009
Yongrong Tong	- appointed 16 November 2009
Yinong Ye	- appointed 16 November 2009
Ernest Kwok Wong	- appointed 16 November 2009
Hao Zhang	- appointed 13 August 2010

Company Secretary

The company secretary is Rita Wang, who was appointed on 3 June 2010.

Principal Activities

The consolidated entity's principal continuing activities during the period is the provision of premium pre-school educational services in the Zhejiang Province.

Besides, Xiaoxiao Education Limited has started operating the pre-school education services in Australia by acquiring a kindergarten called Breakfast Point Childcare Centre on 14 March 2011.

There were no significant changes in the nature of the consolidated group's principal activities during this financial period **other than detailed below**.

Review of Operations

Established and highly successful for over 15 years, Xiaoxiao was the first China-based private sector pre-school education group to list in Australia. In what has proven to be a difficult first half, the Directors are please to advise an increase in revenue on the same period of the previous year. However, with the need for a one-off impairment charge (see below) the Company has reported a first-half loss of \$A1,837,243.

The Directors have reviewed the carrying values of its non-current assets as part of a review of its half-year performance. Based on the performance of its existing business, which as previously reported has had to adapt to changed market demand in China, in particular the move from residential pre-schools to day care, and after discussions with the Company's auditor, the Board has authorised a one-off impairment charge of \$1,705,929 in the half year.

The Board is confident that, with the new business model of providing mostly day-care pre-schools that the Company is on track to a strong second half.

Operating Results

The net loss after tax of the XXL Group for the half-year ended 30 June 2011 was \$1,837,243 after an impairment charge of \$1,705,929 and depreciation and amortisation charge of \$391,238 (2010: \$1,688,852 loss after IPO costs of \$1,844,282 and depreciation and amortisation charge of \$337,312).



Significant Changes in the State of Affairs

The Group has continued its strategy to acquire kindergartens and pre-school operations in both Australia and China and continues to develop its management and operating efficiency.

Matters Subsequent to the End of the Half-year

There were no material events subsequent to reporting date impacting upon the parent or controlled entity.

Likely Developments and Expected Results of Operations

In China today there are approximately 180 million children under the age of 6 years with an estimated 14% of those children attending kindergartens. Since 2000 there has been a significant growth in demand for private pre-school education in urban centres due largely to the formalisation of government policy in favour of private sector pre-school education and the rapid rise of incomes and life expectations.

Xiaoxiao continues to maintain its strong reputation as the industry leader. The Company has excellent relationships with local government throughout China and envied brand recognition in the market.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the director's report for the half-year ended 30 June 2011.



Grant Thornton

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF XIAOXIAO EDUCATION LTD AND CONTROLLED
ENTITIES**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Xiaoxiao Education Ltd and Controlled entities for the half-year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S J Gray
Director – Audit & Assurance Services

Adelaide, 31 August 2011

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Xiaoxiao Education Limited
Consolidated Statement of Comprehensive Income
For the Half-Year Ended 30 June 2011

	Note	Consolidated 2011 \$	Consolidated 2010 \$
Revenue from school fees	2	3,315,490	3,249,757
Interest	2	60	17,396
School catering and consumables		(516,771)	(503,182)
Depreciation and amortisation		(391,238)	(337,312)
Employee benefits		(1,795,208)	(1,649,213)
Finance costs		(29,600)	(37,316)
IPO cost		-	(1,844,282)
Other expenses		(714,047)	(584,700)
Impairment		(1,705,929)	-
(Loss) for the period	2	(1,837,243)	(1,688,852)
Other comprehensive income			
Exchange differences on translation of foreign operations		(474,993)	149,979
TOTAL COMPREHENSIVE INCOME		(2,312,236)	(1,538,873)
Loss attributable to:			
- Owner of Xiaoxiao Education Ltd	2	(1,837,243)	(1,688,852)
- Non-controlling interest		-	-
	2	(1,837,243)	(1,688,852)
Earnings per share			
Basic (cents)		(1.24)	(1.21)
Diluted (cents)		(1.24)	(1.21)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Xiaoxiao Education Limited and Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2011

	Notes	Consolidated 30 June 2011 \$	Consolidated 31 December 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents		306,854	156,973
Other receivable	3	23,234	40,704
Other assets	4	1,978,966	3,833,391
Total current assets		2,309,054	4,031,068
Non-current Assets			
Property, plant and equipment		2,965,410	3,163,014
Intangible assets	5	8,135,292	9,888,198
Total non-current assets		11,100,702	13,051,212
Total Assets		13,409,756	17,082,280
LIABILITIES			
Current Liabilities			
Other payables	6	127,763	903,044
Unearned income		9,115	481,536
Total current liabilities		136,878	1,384,580
Non-current Liabilities			
Borrowings		1,152,800	1,265,386
Total non-current liabilities		1,152,800	1,265,386
Total Liabilities		1,289,678	2,649,966
Net Assets		12,120,078	14,432,314
EQUITY			
Issue capital	7	15,801,789	15,801,789
Retained earnings		(4,634,426)	(2,797,183)
Foreign exchange reserve		(1,596,992)	(1,121,999)
Capital and reserves attributable to members		9,570,371	11,882,607
Non-controlling interest		2,549,707	2,549,707
Total Equity		12,120,078	14,432,314

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



Xiaoxiao Education Limited
Consolidated Statement of Changes in Equity
For the Half-Year Ended 30 June 2011

Consolidated

	Share Capital \$	Retained Profits \$	Foreign Currency Translation Reserve \$	Non- Controlling Interest \$	Total Equity \$
Balance at 1 January 2010	9,551,480	(19,330)	(304,460)	2,380,961	11,608,651
Total comprehensive income	-	(1,688,852)	149,979	-	(1,538,873)
Shares issued during the year	6,017,000	-	-	-	6,017,000
Capitalised IPO expenses	(149,495)	-	-	-	(149,495)
Balance as at 30 June 2010	15,418,984	(1,708,182)	(154,481)	2,380,961	15,937,282
Balance at 1 January 2011	15,801,789	(2,797,183)	(1,121,999)	2,549,707	14,432,314
Total comprehensive income	-	(1,837,243)	(474,993)	-	(2,311,236)
Balance as at 30 June 2011	15,801,789	(4,634,426)	(1,596,992)	2,549,707	12,120,078

The above Consolidated Statement of Equity should be read in conjunction with the accompanying notes.



Xiaoxiao Education Limited
Consolidated Cash Flow Statement
For the Half-Year Ended 30 June 2011

	Consolidated 2011 \$	Consolidated 2010 \$
Cash Flows From Operating Activities		
Receipts from customers	2,878,820	2,893,237
Payments to suppliers and employees	(1,908,838)	(2,955,821)
Interest received	60	17,396
Interest paid	-	(36,921)
Net cash outflow from operating activities	970,042	(82,109)
Cash Flows from Investing Activities		
Payment for acquisition of business, net of cash acquired	(262,224)	(3,110,796)
Payment for acquisition of property, plant and equipment	(27,776)	(629,711)
Loans to related party	(1,878,061)	-
Loans repaid by other entities	1,738,870	-
Net cash outflow/ inflow from investing activities	(429,191)	(3,740,507)
Cash Flows From Financing Activities		
Proceeds from issues of shares	-	6,017,000
Proceeds from borrowings	-	(1,048,191)
Repayment of borrowings	(69,168)	-
Net cash inflow from financing activities	(69,168)	4,968,809
Net decrease/increase in cash and cash equivalents	471,683	1,146,193
Cash and cash equivalents brought forward	156,973	624,127
Effects of exchange rate changes	(321,802)	282,156
Cash and cash equivalents at balance date	306,854	2,052,476

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.



1. Summary of Significant Accounting Policies

Xiaoxiao Education Limited ("XXL" or "the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and is the ultimate Company in the XXL Group. The consolidated interim financial report for the half-year ended 30 June 2011 comprises the Company and its controlled entities ("the XXL Group").

The nature of operations and principal activities of the XXL Group are described in the Directors' Report.

(a) Statement of compliance

The consolidated interim financial report for the half-year ended 30 June 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the XXL Group as at and for the year ended 31 December 2010.

The consolidated interim financial report of Xiaoxiao Education Limited was approved by the Board of Directors.

(b) Significant accounting policies

The accounting policies applied by the XXL Group in this consolidated interim financial report are the same as those applied by the XXL Group in the 2010 Annual Report

(c) Basis of preparation

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

Estimates

The preparation of interim financial report requires management to make judgements, estimates and assumption that affects the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the XXL Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2010 Annual Report.



2. Segment Information

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) is assessing performance and determining the allocation of resources.

The group is managed primarily on a country level since each country has notably different risk profiles. Operating segments are therefore determined on the same basis. The reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics. The reportable segments are China and Australia.

(i) Segment performance

	China \$	Australia \$	Consolidated \$
For the half-year ended 30 June 2011			
Revenue			
External Sales	3,211,400	104,090	3,315,490
Interest	59	1	60
Total Revenue	3,211,459	104,091	3,315,550
Segment net profit before tax			
Segment result	42,799	(1,880,042)	(1,837,243)
For the half-year ended 30 June 2010			
Revenue			
External Sales	3,249,757	-	3,249,757
Interest	-	17,396	17,396
Total Revenue	3,249,757	17,396	3,267,153
Segment net profit before tax			
Segment result	1,106,864	(2,795,716)	(1,688,852)

(ii) Segment assets

	China \$	Australia \$	Consolidated \$
For the half-year ended 30 June 2011			
Opening balance 1 January 2011	7,976,226	9,106,054	17,082,280
Closing balance 30 June 2011	5,584,179	7,825,577	13,409,756

3. Other Receivables

	Consolidated Group 30 June 2011 \$	Consolidated Group 31 December 2010 \$
GST receivable	23,048	40,704
Other tax credit	186	-
	23,234	40,704



4. Other Assets

	Consolidated 30 June 2011 \$	Consolidated 31 December 2010 \$
Rental deposit	33,616	28,281
Deposits paid for purchase of kindergartens	1,945,350	3,805,110
	1,978,966	3,833,391

5. Intangible Assets – Structure Contracts

	Consolidated 30 June 2011 \$	Consolidated 31 December 2010 \$
Fair value of structure contracts	10,402,781	9,500,000
Additional structure contracts with new kindergartens signed during the year	-	902,781
Less: Impairment of Intangibles	(1,705,929)	-
Less: Accumulated amortisation	(773,878)	(514,583)
Less: Foreign exchange rate difference	(20,366)	-
	7,902,608	9,888,198
Goodwill - Acquisition of Breakfast Point	242,414	-
Less: Accumulated amortisation	(9,730)	-
	232,684	-
Net carrying amount	8,135,292	9,888,198

6. Trade Creditors and Other Payables

	Consolidated Group 30 June 2011 \$	Consolidated Group 31 December 2010 \$
Trade creditors	30,249	69,688
Other payables	236,705	200,279
Amount due to a director	(139,191)	633,077
	127,763	903,044

7. Share Capital

	Company 30 June 2011 \$	Company 31 December 2010 \$
Ordinary shares issued and fully paid	15,801,789	15,801,789
	Number of Shares 148,096,037	Number of Shares 148,096,037



8. Business Combination

Pursuant to acquisition of Breakfast Point Childcare Pty Limited during the period. Details of purchase combination and net assets acquired are as follows:

Cash Paid	\$ 290,000
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The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value
	\$
Plant and equipment	47,586
Fair value of net assets acquired	<u>47,586</u>
Goodwill at acquisition	242,414

9. Impairment of Intangibles

At each reporting date, the carrying values of its intangible assets are reviewed by the Group to determine whether there is any indication that those assets have been impaired. The directors have reviewed the carrying values of the structure contracts with regards to current market conditions in China, historical and forecast performance of the underlying kindergartens. Based on this information the Group has recognised an impairment loss of \$1,705,929.

The following assumptions were used in the value-in-use calculations:

- Financial performance for the six months ended 30 June 2011 is representative of future operating performance and cash flows.
- Life of contracts of 20 years.
- No growth in revenues and profits.
- No material capital expenditure.
- A risk-adjusted discount rate of 23% was applied to future cash flows. The discount rate was determined upon consideration of the following risks: country (China), business, key personnel, currency (RMB) and risk free rate of 6% based on the 10-year bond rate in China.

10. Contingencies

There are no contingent liabilities as at 30 June 2011.

11. Commitments

The XXL Group had no significant commitments for capital expenditure that were authorised and contracted as at 30 June 2011. Operating and finance lease arrangements continue to be in place and have not changed significantly to those disclosed in the December 2010 Annual Report.

12. Subsequent Events

There were no material events subsequent to reporting date impacting upon the parent or controlled entity.

13. Dividends

No dividend was declared for the half-year ended 30 June 2011.



Xiaoxiao Education Limited and its Controlled Entities Directors' Declaration

- 1 In the opinion of the directors of Xiaoxiao Education Limited ("XXL or "the Company"):
- (a) the financial statements and notes that are set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company and Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Madam Tong Yongrong
Chairman of the Board

Dated this 31st August 2011

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF XIAOXIAO EDUCATION LTD AND CONTROLLED
ENTITIES**

We have reviewed the accompanying half-year financial report of Xiaoxiao Education Ltd and controlled entities ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Xiaoxiao Education Ltd and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 Australian Auditing Standards 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.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Xiaoxiao Education Ltd and controlled entities is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S J Gray
Director – Audit & Assurance Services

Adelaide, 31 August 2011