You should read the following discussion and analysis with our audited combined financial information, including the notes thereto, included in the Accountant's Report set out in Appendix I to this **[REDACTED]**. *The Accountant's Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this **[REDACTED]**.

For the purpose of this section, unless the context otherwise requires, references to 2011, 2012 and 2013 refer to our financial years ended August 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the largest international high school operator and the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012, 2012/2013 and 2013/2014 school years, according to the Frost & Sullivan Report. We operate all of our schools under our "Maple Leaf" brand and offer a bilingual K-12 education with competitive tuition fees. The core component of our business is a dual-curriculum and dual-diploma high school education that is unique among the top 10 international school operators in China as measured by student enrollment at the end of the 2013/2014 school year. It enables graduates of our PRC and BC certified schools to receive both a fully accredited BC high school diploma and a PRC high school diploma. We aspire to develop our students into well-rounded and academically excellent individuals that can function effectively in both Chinese and foreign environments. As of the Latest Practicable Date, we operated seven high schools, 10 middle schools, nine elementary schools, 12 preschools and two foreign national schools across nine cities in China. We had an approximately 9.0% market share in the highly fragmented international high school market in China and an approximately 7.6% market share in the international school market in China, as measured by student enrollment at the end of the 2013/2014 school year, according to the Frost & Sullivan Report.

We have a 19-year track record in providing a comprehensive education that immerses our students in both Chinese and Western cultures. According to the BCMOE, our Dalian Maple Leaf High School was the first-ever offshore high school to be granted certification status under the British Columbia Global Education Program—Offshore Schools. In addition, our high school program is the largest offshore program in China as measured by student enrollment in the 2012/2013 school year, according to the Frost & Sullivan Report. All of our BC-accredited courses are taught in English by BC-certified teachers. Our foreign national schools, which are only open to foreign nationals, cover the K-9 class levels and are granted certification status under the British Columbia Global Education Program—Offshore Schools. Our middle and elementary schools, which can only offer PRC curricula under PRC laws and regulations, offer extensive English training and a bilingual learning environment to students, preparing them for our English-intensive high school program.

We strive to offer our students a pathway into universities and colleges around the world. In each of the 2010/2011, 2011/2012 and 2012/2013 school years, based on our estimates, over 90% of our high school graduates, respectively, were admitted to universities and colleges around the world. In the same school years, based on our estimates, approximately 44%, 38% and 47% of our high school graduates, respectively, were admitted to the World Top 100 Universities. In the 2013/2014 school year, based on our estimates, over 95% of our high school graduates were admitted to universities and colleges around the world and approximately 51% of our high school graduates were admitted to the World Top 100 Universities. Over 50 universities and colleges around the world have a memorandum of understanding with us to facilitate the admissions process for our high school graduates, which we believe evidences their acknowledgement of the academic performance and English capacity of our students. We design our educational services to prepare students for the challenges they may face while attending post-secondary institutions overseas and help them to smoothly adapt to, and thrive in, diverse undergraduate environments.

We derive revenue primarily from tuition fees from our schools, which accounted for approximately 88.0%, 88.8%, 86.2% and 93.3% of our total revenue in the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, respectively. In addition to tuition, we also generate revenue from various educational services, including overseas winter and summer camps, consulting services for overseas university admissions and the sale and lease of textbooks and other educational materials to our students.

We have experienced steady growth in our revenue and student enrollment in recent years. Our revenue increased from RMB346.1 million for the fiscal year ended August 31, 2011 to RMB413.5 million for the fiscal year ended August 31, 2012 and to RMB471.2 million for the fiscal year ended August 31, 2013. Our overall student enrollment grew from 9,120 as of the end of the 2010/2011 school year to 10,509 as of the end of the 2011/2012 school year, to 11,697 as of the end of the 2012/2013 school year and to approximately 13,459 as of May 31, 2014. Our gross profit was RMB156.4 million, RMB191.1 million and RMB202.5 million in the fiscal years ended August 31, 2011, 2012 and 2013, respectively. For the nine-month periods ended May 31, 2013 and 2014, our revenue amounted to RMB325.5 million and RMB365.5 million, and our gross profit was RMB139.3 million and RMB150.5 million, respectively.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of financial position as of August 31, 2011, 2012 and 2013 and May 31, 2014, our consolidated statements of profit and loss and other comprehensive income for the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2013 and 2014 and our consolidated statement of cash flows for the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2013 and 2014 set forth below are derived from the Accountant's Report set out in Appendix I to this **[REDACTED]**, and should be read in conjunction with the Accountant's Report and with the section headed "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations" in this **[REDACTED]**.

The following table presents our selected consolidated statements of profit and loss and other comprehensive income for the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2013 and 2014:

Consolidated Statements of Profit and Loss and Other Comprehensive Income

	Year ended August 31,			Nine months ended May 31,	
	2011	2012	2013	2013	2014
			(RMB'000)	(Unaudited)	
Revenue	346,091	413,459	471,219	325,470	365,549
Cost of revenue	(189,687)	(222,342)	(268,751)	(186,134)	(215,083)
Gross profit	156,404	191,117	202,468	139,336	150,466
Investment and other income	1,588	4,872	4,859	3,623	4,501
Other income, gains and losses	6,701	(1,633)	101	478	(95)
Marketing expenses	(13,861)	(14,409)	(20,886)	(14,227)	(15,064)
Administrative expenses	(34,256)	(47,934)	(56,118)	(42,998)	(49,039)
Finance costs	(14,952)	(15,234)	(15,554)	(11,072)	(11,849)
Other expenses	(6,279)	(1,433)	(1,515)	(1,135)	(15,347)
Change in fair value on redeemable convertible preferred shares	(104,040)	(10,440)	(63,720)	(40,860)	(59,642)
Change in fair value on warrants	(21,960)	(1,785)	(8,410)	(5,225)	(3,695)
Gain on cancellation of warrants	—	—	—	—	42,510
(Loss) profit before taxation	(30,655)	103,121	41,225	27,920	42,746
Taxation	(7,575)	(9,153)	(8,043)	(5,702)	(5,018)
(Loss) profit for the year/period	(38,230)	93,968	33,182	22,218	37,728
Other comprehensive income (expense):					
Item that may be subsequently reclassified to profit or loss:					
Change in fair value of available-for-sale investments	—	63	316	411	(126)
Exchange difference arising on the transaction of foreign operation	—	59	(120)	(217)	844
Other comprehensive income for the year/period	—	122	196	194	718
Total comprehensive (expense) income for the year/period	(38,230)	94,090	33,378	22,412	38,446
(Loss) earnings per share					
Basic (RMB)	(0.05)	0.12	0.04	0.03	0.05
Diluted (RMB)	(0.05)	0.10	0.04	0.03	(0.00)

The following table reconciles our income before income taxes and minority interests under IFRS to our definition of EBITDA for the periods indicated.

Adjusted EBITDA

	Year ended August 31,			Nine months ended May 31,	
	2011	2012	2013	2013	2014
		(RMB'000)			
				(Unaudited)	
(Loss) profit before taxation	(30,655)	103,121	41,225	27,920	42,746
Interest expense on bank borrowings and banking facilities	14,952	15,234	15,554	11,072	11,849
Depreciation and amortization	32,062	33,137	38,332	28,581	32,923
EBITDA	16,359	151,492	95,111	67,573	87,518
Add:					
Share-based payments	353	72	31	16	—
Change in fair value on redeemable convertible preferred shares	104,040	10,440	63,720	40,860	59,642
Change in fair value on warrants	21,960	1,785	8,410	5,225	3,695
Gain on cancellation of warrants	—	—	—	—	(42,510)
Adjusted EBITDA	142,712	163,789	167,272	113,674	108,345

Note:
We use Adjusted EBITDA to provide additional information about our operating performance. We define Adjusted EBITDA as the sum of profit before taxation, interest expense on bank borrowings and banking facilities and depreciation and amortization (include depreciation of property, plant and equipment, depreciation of investment properties, amortization of books for lease and release of prepaid lease payments), and add share-based payment, change in fair value on redeemable convertible preferred shares and change in fair value on warrants and gain on cancellation of warrants. Adjusted EBITDA is not a measurement of financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as measures of liquidity. Adjusted EBITDA is provided in addition to net income because net income includes accounting items associated with interest expenses and depreciation and amortization (include depreciation of property, plant and equipment, depreciation of investment properties, amortization of books for lease and release of prepaid lease payments). These accounting items may vary between companies depending on the method of accounting adopted by each company. In addition, Adjusted EBITDA is not a standardized term, hence, a direct comparison between companies using such terms may not be possible. We have included Adjusted EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations.

The following table presents our selected consolidated statements of financial position as of August 31, 2011, 2012 and 2013 and May 31, 2014:

Consolidated Statements of Financial Position

	The Group			
	At August 31,			At May 31, 2014
	2011	2012	2013	
	(RMB'000)			
NON-CURRENT ASSETS				
Property, plant and equipment	882,953	961,387	1,177,025	1,200,824
Prepaid lease payments	162,733	167,546	196,589	192,877
Investment properties	20,412	19,558	18,704	18,063
Goodwill	3,980	1,982	1,982	1,982
Available-for-sale investments	4,418	3,177	3,493	3,367
Books for lease	2,565	4,028	3,309	4,121
Deposits for construction of property and land use right	3,037	3,193	1,227	1,037
	1,080,098	1,160,871	1,402,329	1,422,271
CURRENT ASSETS				
Deposit, prepayments and other receivables	13,283	12,483	16,256	19,386
Bank balances and cash	234,903	297,036	409,303	179,088
	248,186	309,519	425,559	198,474
CURRENT LIABILITIES				
Deferred revenue	319,847	357,475	408,325	214,520
Other payables and accrued expenses	87,087	109,842	188,607	166,087
Amounts due to related parties	13,822	13,805	13,491	3,545
Income tax payable	10,205	14,873	17,541	16,183
Bank borrowings	233,500	170,000	215,000	224,000
Redeemable convertible preferred shares	307,260	317,700	381,420	441,062
Warrants	28,620	30,405	38,815	—
	1,000,341	1,014,100	1,263,199	1,065,397
NET CURRENT LIABILITIES	(752,155)	(704,581)	(837,640)	(866,923)
TOTAL ASSETS LESS CURRENT LIABILITIES	327,943	456,290	564,689	555,348
CAPITAL AND RESERVES				
Share capital	511	511	511	511
Reserves	289,560	383,722	417,131	455,577
	290,071	384,233	417,642	456,088
NON-CURRENT LIABILITIES				
Deferred tax liabilities	4,572	9,057	14,347	16,860
Bank borrowings	—	—	60,000	—
Deposit received in respect of disposal of properties	30,000	60,000	70,000	80,000
Other non-current liabilities	3,300	3,000	2,700	2,400
	37,872	72,057	147,047	99,260
	327,943	456,290	564,689	555,348

The following table sets forth a summary of our cash flows for the years ended August 31, 2011, 2012 and 2013, and the nine months ended May 31, 2014:

Consolidated Statements of Cash Flow

	Year ended August 31,			Nine months ended May 31,
	2011	2012	2013	2014
			(RMB'000)	
Net cash from (used in) operating activities	235,667	216,782	250,274	(82,000)
Net cash used in investing activities	(154,498)	(74,256)	(227,201)	(75,620)
Net cash from (used in) financing activities	23,786	(80,379)	89,346	(72,722)
Increase (Decrease) In Cash and Cash Equivalents	104,955	62,147	112,419	(230,342)
Cash and cash equivalents at beginning of the year/period	130,038	234,903	297,036	409,303
Effect of foreign exchange rate changes	(90)	(14)	(152)	127
Cash and cash equivalents at the end of the year/period	234,903	297,036	409,303	179,088

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the consolidated financial information included in the Accountant's Report set out in Appendix I to this **[REDACTED]** *and the operating data included elsewhere in this* **[REDACTED]**. *The financial information has been prepared in accordance with IFRS.*

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on June 5, 2007 as an exempted company under the Cayman Companies Law. On March 10, 2008, the Company established a wholly-owned foreign enterprise, Beipeng Software, in Dalian, China. See the section headed "History and Corporate Structure" in this **[REDACTED]**. The Group resulting from the reorganization before the Track Record Period is regarded as a continuing entity. Accordingly, the financial information of the Group which has been prepared by applying the principles of merger accounting, as if the group structure had been in existence throughout the Track Record Period and up to the Latest Practicable Date, or since their respective dates of incorporation or establishment where this is a shorter period.

Due to regulatory restrictions on foreign ownership of our schools in China, we conduct a substantial portion of our business in China through our consolidated affiliated entities. We do not hold any equity interests in our consolidated affiliated entities. Rather, through a series of contractual arrangements, we effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits. Accordingly, we consolidate into our financial statements the results of operations, assets and liabilities, and cash flows of our consolidated affiliated entities. See the section headed "Contractual Arrangements" in this **[REDACTED]**.

As of August 31, 2011, 2012 and 2013, and May 31, 2014, we had net current liabilities of RMB752.2 million, RMB704.6 million, RMB837.6 million and RMB866.9 million, respectively. Taking into account our financial resources, including our 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 Preferred Shares that the Preferred Shares would not be redeemed until December 31, 2015, our Directors are of the opinion that we have 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.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Macroeconomic Conditions in China

We have benefited significantly from the growth of China's economy, favorable demographic trends and the demand for high quality K-12 private education in China. Over the past years, the Chinese economy has maintained a solid growth pace, and its GDP growth rate was 17.8%, 9.7% and 9.6%, in 2011, 2012 and 2013, respectively, and, according to the Frost & Sullivan Report, is expected to be 10.4%, 10.1% and 9.5%, in 2014, 2015 and 2016, respectively. The overall economic growth and the increase in the GDP per capita in China have led to a significant increase in spending on education in China. According to the Frost & Sullivan Report, per capita expenditure on education, culture and recreation items and services has been increasing at a steady pace from 2007 to 2013 at a CAGR of 8.6% and 7.8% for urban and rural households, respectively. Also, in 2013, the Chinese government announced that it will relax its "one-child policy" as a measure to stimulate birth rates by allowing families to have two children if one of the parents is an only-child. As China continues to integrate into the global economy and with the possible increase in population as a result of the relaxation of the "one-child policy", we anticipate that the demand for high-quality K-12 private education in China will continue to increase. However, any adverse changes in the economic conditions or regulatory environment in China may have a material adverse effect on the private education industry in China, which in turn may harm our business and results of operations.

Student Enrollment

Our revenue is primarily driven by tuition fees and other fees from students enrolled at the schools that we operate. During the Track Record Period, our total student enrollment increased from 9,120 as of the end of the 2010/2011 school year to 10,509 as of the end of the 2011/2012 school year and to 11,697 as of the end of the 2012/2013 school year. According to the Frost & Sullivan Report, the total student enrollment in international schools (excluding schools for foreigners only) in China is expected to increase at a 2013-2017 CAGR of 14.8%.

Student enrollment is generally dependent on, among other things, the reputation of our schools, which is primarily driven by the quality of our curriculum and our teachers. We believe that our dual-curriculum (BC curriculum and PRC curriculum), bilingual form of education has enabled us to continuously increase the number of students enrolled in our schools, as more and more students in China have sought a pathway into universities and colleges overseas. In addition, the quality of our teachers, which directly affects the quality and reputation of our educational services, is an important factor in the success of our schools and our ability to increase student enrollment. Accordingly, we maintain stringent teacher selection and retention criteria and require rigorous training as well as ongoing monitoring and evaluation of our teachers.

Student enrollment is also affected by the number and capacity of the schools that we operate. As part of our strategy to expand our school network, we intend to continue to open new schools and campus facilities to further penetrate existing markets and enter new markets. Since 2008, we have successfully expanded our school network outside of Dalian, where we began our operations, to Wuhan, Tianjin, Chongqing, Zhenjiang, Ordos, Luoyang and Shanghai, which has been one of the key factors affecting student enrollment and our revenue. During the Track Record Period and up to the Latest Practicable Date, we also continued to expand the premises of our existing schools, such as our Wuhan and Tianjin campuses.

Student enrollment is also dependent on the tuition fees we charge. According to the Frost & Sullivan Report, our average annual tuition fees for the 2012/2013 school year were the lowest for elementary schools, middle schools and high schools out of the top five international schools in China by student enrollment. We believe that our relatively lower tuition fees has been one of the key factors parents have considered when deciding to enroll children in our schools.

Tuition Fees

Our revenue is also affected by the price of tuition we charge. Tuition is generally paid in advance prior to the beginning of each school year. Tuition rates are primarily based on the demand for our educational programs, the cost of our services, the general economic conditions in the geographic areas in which we operate, the tuition fees charged by our competitors, and our pricing strategy to gain market share. In addition, under applicable PRC regulations, the type and amount of fees charged by a private school providing certifications must be approved by the governmental pricing authority. All of our applications to raise tuition fees in prior years have been approved by the governmental pricing authority, thus we do not expect these regulations to limit our ability to increase the tuition we charge in the future. However, there can be no assurance that the governmental pricing authority will approve future applications to raise our tuition in a timely manner or at all. See the sections headed "Regulatory Overview" and "Risk Factors — Risks relating to Our business and Our Industry — Governmental pricing authorities may limit our ability to increase the tuition we charge at our schools" in this [REDACTED We also have a refund policy for students who withdraw from our schools. See the section headed "Business — Our Schools" in this **[REDACTED]**.

For the 2013/2014 school year, we charged tuition generally ranging between RMB42,400 and RMB71,500 per student per year in our high schools, including a boarding fee for boarding students, which was lower than the average tuition of international high schools in China, according to the Frost & Sullivan Report. Tuition rates at our preschools, elementary schools and middle schools are higher than those in the public school system. In the past, we kept our tuition rates relatively low in order to remain attractive to parents and students, and thereby increase our student enrollment and market share. When we raised our tuition rates during the Track Record Period, we applied the increased rates only to new students that enrolled in our schools after the tuition increase was implemented. According to the Frost & Sullivan Report, our average annual tuition fees for the 2012/2013 school year were the lowest for elementary schools, middle schools and high schools out of the top five international schools in China as measured by student enrollment. However, we believe the tuition levels we charge are not so low as to negatively impact market perception of the "Maple Leaf" brand as a provider of quality education. In addition, we believe that our pricing strategy has enabled us to increase student enrollment and thus the utilization rate of our facilities. As part of our strategy to optimize our revenue structure, we plan to explore opportunities to increase our tuition fees in the future. We believe that an increase in tuition fees will not have a material adverse impact on our business or results of operations.

If we are able to increase our tuition while maintaining or continuing to increase our student enrollment, we may be able to improve our gross margin. However, tuition increases may have the effect of decreasing the total number of students enrolled in our schools. See the section headed "Risk Factors — Risks Relating to Our Business and our Industry — Our business depends on our ability to maintain or raise the tuition levels we charge at our schools" in this **[REDACTED]**.

Utilization of Our Facilities

In addition to student enrollment and tuition fees, the utilization rate of our schools' facilities is a key driver of revenue growth and gross margin. Utilization rate is calculated as the number of students divided by the capacity for a given school. Except for our preschools and Foreign Schools, all of our schools are boarding schools. For these boarding schools, the capacity for students is calculated based on the number of beds in their dormitories. For our Foreign Schools, the capacity for students is calculated based on the number of desks in their classrooms. For our preschools, the capacity for students is calculated based on the number of beds used for naps in the schools.

Independent of the level of student enrollment in any given year, we incur a significant amount of fixed costs relating to the operation of our business. If we are able to increase our utilization rate, we will be able to increase our revenue at a faster pace than our fixed costs, which in turn will improve our gross margin. For the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, we had overall facility utilization rates of 73.0%, 73.5%, 61.6% and 59.8%, respectively, based on a maximum capacity of 12,490, 14,290, 18,990 and 22,490, respectively, in all of our schools. Utilization rates are generally higher at our more established facilities than they are at the facilities in our newly entered markets. For example, as of May 31, 2014, the utilization rate of our well-established high school in Wuhan was 93.9%, whereas the utilization rate for our high school in Shanghai was 8.2%, which we have been operating for a shorter period of time and is in a newly entered market. The utilization rate of schools in newly entered markets is typically lower because a period of time is needed for us to build brand recognition and market our bilingual educational programs in new geographic areas. Our overall utilization rate has decreased as a result of our entrance into the Zhenjiang, Ordos, Luoyang and Shanghai markets in recent years. Likewise, if we expand our campus facilities at the schools we presently operate, our overall utilization rate may decrease temporarily until we are able to enroll more students. Accordingly, a key driver of success is identifying the proper time to expand our capacity, whether by entering new markets or by constructing additional buildings at existing facilities, and, following such expansion, quickly increase student enrollment in the new facilities.

In recent years, we have built or acquired additional facilities when the existing utilization rate of a given school was high, as we did with the expansion of our facilities at Dalian Maple Leaf International School (High School) in 2009, or when we were entering a new geographical area, as we did through building a high school in Shanghai in September 2013. With regards to the schools we currently operate that have a low utilization rate, we aim to concentrate on increasing student enrollment and the utilization rate and not to seek to expand capacity at these schools in the short to medium term.

Teachers' Salaries

Our ability to maintain and increase profitability also depends on our ability to effectively control our costs and expenses. A significant component of our cost of revenue is compensation to our teachers, including PRC-certified, BC-certified and ESL teachers, and other teaching staff. We offer competitive remuneration to our teachers in order to attract and retain top teaching talent. Salaries and other allowances to our teachers and other teaching staff amounted to approximately 33.3%, 32.5%, 33.4% and 37.6% of our revenue for the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, respectively. Our cost of sales as a percentage of our total revenue was 54.8%, 53.8%, 57.0% and 58.8% for the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, respectively. The increase in cost of sales as a percentage of revenue from the fiscal year ended August 31, 2012 to the fiscal year ended August 31, 2013 and for the nine months ended May 31, 2013 to the nine months ended May 31, 2014 was largely a result of the rapid expansion of our facilities, including our additional investments in human resources, especially compensation to our BC-certified teachers. The decrease in our cost of revenue as a percentage of revenue for the fiscal year ended August 31, 2012 was a result of the higher utilization rate of our facilities, which was due to an increase of the student enrollment in our existing schools and the fact that we only opened one new school in such fiscal year. As we continue to expand our school network and the capacity of our schools, we will need to hire more teachers, which will result in an increase in cost of revenue. If we are unable to effectively manage this increase, or if the salaries of teachers increase at a rate faster than the increase in revenue, our profitability and results of operations will be adversely affected.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The determination of these items requires management judgment based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates. Our significant accounting policies are set forth in detail in Note 3 of Section A to the Accountant's Report included in Appendix I to this **[REDACTED]**.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of our judgments about accounting items that are not readily apparent from other sources. Our management has discussed the development, selection and disclosure of these estimates with the Directors. When reviewing our financial results, you should consider: (i) our significant accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

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 discounts, and sales related tax.

Service income includes tuition fees from our Foreign Schools, preschools and elementary schools, middle schools and high schools. For all of our schools except our preschools, tuition includes a boarding fee for boarding students.

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

Tuition fees received from our preschools are 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.

We also provide graduation consulting services and winter and summer camps 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 us and such benefit could be reliably measured.

We also rent educational books to students of our high schools. Book rental fees are generally billed to a student prior to the beginning of an academic year and recognized on a straight-line basis over the period in which a student uses these books. 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 title has passed, at which time all of the following conditions are satisfied: (i) we have transferred to the buyer the significant risks and rewards of ownership of goods; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to us; and (v) 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 us 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.

Property, plant and equipment

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

Depreciation is 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.

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.

We determine the estimated useful lives of our property, plant and equipment and the depreciation method in determining the related depreciation charges. This estimate is based on our experience of the actual useful lives of property, plant and equipment of similar nature and function. In addition, we assess impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. We will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As at August 31, 2011, 2012, 2013 and May 31, 2014, the carrying amount of property, plant and equipment were approximately RMB883.0 million, RMB961.4 million, RMB1,177.0 million and RMB1,200.8 million, respectively. Any change in these estimates may have a material impact on our results of operations.

Current and Deferred Income Taxes

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our 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 liability is settled or the asset is realized, 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.

Redeemable Convertible Preferred Shares

Our Preferred Shares include a conversion option and a redemption option and are not settled by the exchange of a fixed monetary amount for a fixed number of equity instruments recognized as a financial liability with embedded derivatives. Derivatives embedded in a financial instrument are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. We, however, have elected to designate the Preferred Shares with embedded derivatives and conversion options as financial liabilities at fair value through profit or loss. At each financial year end, all outstanding Preferred Shares are measured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise.

The fair value of the entirety of the Preferred Shares is established using valuation techniques. These techniques include using discounted cash flow analysis and an option pricing method. Valuation techniques are proposed by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. The model involves estimating on time to expiration, risk free rate, other comparable public companies share price volatility and others. Our estimates and assumptions are reviewed periodically and are adjusted if necessary.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We derive revenue from tuition fees for our high schools, middle schools, elementary schools, preschools and foreign national schools and from other educational services. For the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, we generated a total revenue of RMB346.1 million, RMB413.5 million, RMB471.2 million and RMB365.5 million, respectively. Our revenue is net of PRC business taxes and related surcharges.

The table below summarizes, for the periods indicated, the amount of revenue generated from tuition, other educational services and other sources.

	Year ended August 31,			Nine months ended May 31,	
	2011	2012	2013	2013	2014
			(RMB'000)		
				(Unaudited)	
Tuition fees					
— High school	196,472	241,051	259,205	193,604	200,740
— Middle school	41,683	54,801	68,150	49,792	60,690
— Elementary school	25,612	31,349	37,851	27,923	50,140
— Foreign national school	18,207	16,377	14,376	10,715	10,990
— Preschool	22,754	23,481	26,380	19,170	18,320
Textbooks	13,248	15,573	17,954	15,096	18,994
Summer and winter camp	16,282	17,107	26,234	7,794	5,325
Other educational services	11,833	13,720	21,069	1,376	350
Total	346,091	413,459	471,219	325,470	365,549

Tuition Fees

Tuition fees consist of tuition fees from our high schools, middle schools, elementary schools, preschools and foreign national schools. All of our high schools, middle schools and elementary schools are boarding schools, and tuition fees charged at these schools include boarding fees for boarding students. Our Foreign Schools and preschools are non-boarding schools. Revenue from our Dalian campus, our largest campus in terms of student enrollment and revenue contribution, constituted 69.2%, 63.8%, 57.2% and 45.0% of our total revenue in the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, respectively, while schools outside of Dalian accounted for an increasing portion of our revenue from tuition as we continued to expand our school network outside of Dalian.

For all of our schools except preschools, tuition for the full school year is generally paid in advance prior to the beginning of the school year. Tuition for our preschools is generally paid in advance at the beginning of each month. Our schools' academic year is generally from September to June of the following year.

Textbooks

We generate revenue from the sale and lease of textbooks and other educational materials to our students. We sell textbooks and other educational materials for use in our schools. We also lease imported textbooks to students enrolled in the BC programs on a per-year basis.

Summer and Winter Camp

We generate revenue from fees for our summer and winter camps. For our students in grades nine and below we organize English immersion camps overseas in Canada, Australia and the United States, which take place on college or university campuses with classes, games and excursions. For our high school students we offer university tours to different universities and colleges overseas. We charge participating students a fee, which includes, among other things, airfare, lodging expenses, fees paid to the universities and colleges being visited and service fees for teachers accompanying the tours.

Other Educational Services

We also generate revenue from other educational services, which include summer classes, graduation consulting services and others.

Cost of Revenue

Our cost of revenue consists primarily of staff costs, depreciation and amortization, other training expenses and other costs. The following table sets forth the components of our cost of revenue:

	Year ended August 31,			Nine months ended May 31,	
	2011	2012	2013	2013	2014
			(RMB'000)		
				(Unaudited)	
Staff costs	115,400	134,348	157,207	117,647	137,612
Depreciation and amortization	25,479	26,154	29,577	21,947	25,929
Other training expenses	14,114	17,643	25,757	8,070	5,243
Other costs	34,694	44,197	56,210	38,470	46,299
Total cost of revenue	189,687	222,342	268,751	186,134	215,083

Staff costs consist of salaries and benefits paid to our teachers and other teaching staff. Depreciation and amortization relate to the depreciation of property, plant and equipment and the amortization of books for lease. For the financial years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, staff costs in relation to our teachers and other teaching staff were RMB115.4 million, RMB134.3 million, RMB157.2 million and RMB137.6 million respectively, representing 60.8%, 60.4%, 58.5% and 64.0% of our total cost of revenue, respectively.

For reference purposes, the following table sets out a sensitivity analysis of: (1) the effect of the fluctuations of tuition fees during the Track Record Period, and (2) the effect of the fluctuations of our teaching staff costs during the Track Record Period, assuming no change of depreciation and amortization, other training expenses and other costs. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our loss/profit for the year/period with a 3%, 6% and 9% increase or decrease in tuition fees and teaching staff costs. None of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and teaching staff cost as our tuition fees and teaching staff cost have been relatively stable during the Track Record Period. However, the Company believes that the application of hypothetical fluctuations of 3%, 6% and 9% in the tuition fees and staff cost presents a meaningful analysis of the potential impact of changes in the tuition fees and teaching staff cost on our profitability.

	For the year ended August 31,			For the nine months ended May 31,	
	2011	2012	2013	2013	2014
			RMB'000		
1. Sensitivity analysis of tuition fees					
Tuition fees increase/decrease		**Impact to loss/profit for the year/period**			
3%	8,835	10,693	11,828	8,778	9,935
6%	17,670	21,386	23,656	17,556	19,871
9%	26,505	32,078	35,484	26,334	29,806
2. Sensitivity analysis of teaching staff costs					
Teaching staff cost increase/decrease		**Impact to loss/profit for the year/period**			
3%	3,351	3,899	4,594	3,437	4,002
6%	6,702	7,799	9,188	6,875	8,005
9%	10,053	11,698	13,783	10,312	12,007

Other training expenses relate to travel expenses and other expenses incurred in connection with our summer and winter camps. Other costs include our daily expenses of operating our schools and facilities, including the cost of furniture at our schools and the cost of maintaining our facilities.

Investment and Other Income

Investment and other income consists of interest income from our bank deposits, dividend income from available-for-sale investments and rental income and expenses in connection with certain office space that we lease to third parties.

Other Income, Gains and Losses

Other income, gains and losses consist primarily of gains and losses recognized upon the disposal of available-for-sale investments, gains and losses recognized upon the disposal of property, plant and equipment, including computers, and foreign exchange gains. For the year ended August 31, 2011, we also recognized a gain representing liquidated damages and penalty fees received from a third party for a breach of contract and land requisition compensation from the relevant local PRC government.

Marketing Expenses

The majority of marketing expenses is comprised of commercials, and expenses for producing, printing and distributing advertising and promotional materials. Marketing expenses also include salaries and benefits for personnel engaged in selling and marketing activities.

Administrative Expenses

Administrative expenses primarily consist of the salaries and other benefits for general and administrative staff, depreciation of office buildings and equipment, travel expenses, taxes, employee share options and certain professional expenses. We expect our general and administrative expenses to increase as we intend to hire additional general and administrative personnel to support the growth of our business.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and banking facilities.

Other Expenses

Other expenses consist primarily of operating expenses and depreciation incurred in connection with certain properties that we lease to third parties.

Change in Fair Value on Redeemable Convertible Preferred Shares

Change in fair value on redeemable convertible preferred shares relates to the changes in fair value of the Preferred Shares calculated using the option-pricing method. The key parameters adopted for the valuation of the Preferred Shares include the estimated probability of the Preferred Shares, the risk-free rate, time to expiration, the dividend yield and volatility. For more information, see Note 30 in the Accountant's Report set forth in Appendix I to this **[REDACTED]** and the section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**.

Change in Fair Value on Warrants

Change in fair value on warrants relates to the change in fair value of the Series A Warrant, the fair value of the Series A Warrant was determined at the relevant dates using the Black-Scholes option pricing model. The key parameters adopted for the valuation of the Series A Warrant include estimates on risk free rate, other comparable public companies share price volatility and others. For more information, see Note 30 in the Accountant's Report set forth in Appendix I to this **[REDACTED]** and the section headed "History and Corporate Structure — **[REDACTED]** Investment" in this **[REDACTED]**.

Taxation

Our effective tax rate for the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014 was 24.7%, 8.9%, 19.5% and 11.7%, respectively, of estimated assessable loss or profit. The fluctuations of our effective tax rates during the Track Record Period were primarily the result of changes in the fair value on Preferred Shares and changes in the fair value on warrants.

The following table shows how the changes in fair value on Preferred Shares and changes in fair value on warrants impacted our effective tax rate during the Track Record Period:

	Year ended August 31,			Nine months ended May 31,	
	2011	2012	2013	2013	2014
			RMB'000		
				(Unaudited)	
(Loss) profit before taxation	(30,655)	103,121	41,225	27,920	42,746
Taxation	(7,575)	(9,153)	(8,043)	(5,702)	(5,018)
Change in fair value on redeemable convertible preferred shares	(104,040)	(10,440)	(63,720)	(40,860)	(59,642)
Change in fair value on warrants	(21,960)	(1,785)	(8,410)	(5,225)	(3,695)
Gain on cancellation of warrants	—	—	—	—	42,510
Profit before taxation, excluding fair value change on preferred shares and warrants and cancellation of warrant	95,345	115,346	113,355	74,005	63,573
Adjusted effective tax rate	7.94%	7.94%	7.10%	7.70%	7.89%

Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax. Our wholly owned subsidiaries in Hong Kong, Tech Global Investment Limited and Hong Kong Maple Leaf Educational Systems Limited are subject to profits tax under the laws of Hong Kong. However, no provision for profits tax has been made in our consolidated financial statements as neither Tech Global Investment Limited nor Hong Kong Maple Leaf Educational Systems Limited had any assessable income during the Track Record Period.

For our operations in the PRC, we are generally subject to the PRC enterprise income Tax at a rate of 25% on our taxable income. According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. On August 30, 2013, Dalian Municipal State Tax Bureau issued a certification letter to acknowledge the enterprise income tax exemption status of our high school, middle school and elementary school in Dalian with respect to income derived from tuition fees. This certification letter does not specify an expiration date. On November 21, 2013, the Tianjin Municipal State Tax Bureau also issued a certification letter to confirm that our high school, middle school and elementary school in Tianjin were exempted from enterprise income tax with respect to income derived from tuition fees for the period from January 1, 2011 to December 31, 2013. In addition, we conducted interviews with the local tax bureaus in Wuhan on April 24, 2014. During the interviews we obtained confirmation that our high school, middle school and elementary school in Wuhan enjoyed enterprise income tax exemption status with respect to income derived from tuition fees from January 1, 2011 to December 31, 2013. Accordingly, during the Track Record Period, the tuition fees received by the aforementioned schools are exempted from enterprise income tax. We obtained final approval from the Education Department of Hubei Province for our application of the acquisition of Wuhan Foreign School on August 8, 2014. As of the Latest Practicable Date, we had not been able to register with the relevant tax authorities for tax payments for Wuhan Foreign School. As a result, as of May 31, 2014, we were unable to pay enterprise income tax for our Wuhan Foreign School and we had made a full tax provision of RMB1.3 million. Under relevant PRC laws and regulations, relevant PRC tax authorities may order us to pay the outstanding amount and/or a penalty ranging between 50% to five times of the outstanding amount. See the section headed “Risk Factors — Risks Relating to Our Contractual Arrangement — The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our schools, could result in a decrease of our net income and materially and adversely affect our results of operations” in this **[REDACTED]**.

DISCUSSION OF RESULTS OF OPERATIONS

Nine Months Ended May 31, 2013 Compared to Nine Months Ended May 31, 2014

Revenue

Our revenue increased by 12.3% from RMB325.5 million for the nine months ended May 31, 2013 to RMB365.5 million for the nine months ended May 31, 2014. This increase was primarily the result of revenue from tuition fees increasing by 13.2% from RMB301.2 million for the nine months ended May 31, 2013 to RMB340.9 million for the nine months ended May 31, 2014, primarily due to an increase in student enrollment. Our student enrollment increased by 14.9% from approximately 11,709 as of May 31, 2013 to approximately 13,459 as of May 31, 2014, primarily due to an increase in the number of students enrolled at our existing schools, and the opening of a new high school in Shanghai, which began operations for the 2013/2014 school year. Revenue from the sale and lease of textbooks increased by 25.8% from RMB15.1 million for the nine months ended May 31, 2013 to RMB19.0 million for the nine months ended May 31, 2014, which was primarily attributable to an increase in the number of students enrolled at our high school in Tianjin. Revenue from our summer and winter camps decreased by 32.1% from RMB7.8 million for the nine months ended May 31, 2013 to RMB5.3 million for the nine months ended May 31, 2014, primarily due to a decrease in the number of students participating in our winter camps.

Cost of Revenue

Cost of revenue increased by 15.6% from RMB186.1 million for the nine months ended May 31, 2013 to RMB215.1 million for the nine months ended May 31, 2014. This increase was primarily the result of an increase in staff costs by 17.0% from RMB117.6 million for the nine months ended May 31, 2013 to RMB137.6 million for the nine months ended May 31, 2014. In particular, the number of teachers increased by 22.8% from approximately 1,036 as of May 31, 2013 to approximately 1,272 as of May 31, 2014. Depreciation and amortization increased by 18.3% from RMB21.9 million for the nine months ended May 31, 2013 to RMB25.9 million for the nine months ended May 31, 2014 as a result of an increase in fixed assets as we completed the construction of certain schools and facilities during the period. Other training expenses decreased by 35.8% from RMB8.1 million for the nine months ended May 31, 2013 to RMB5.2 million for the nine months ended May 31, 2014 and was attributable to a decrease in the number of students participating in our winter camps. Other costs increased by 20.3% from RMB38.5 million for nine months ended May 31, 2013 to RMB46.3 million for the nine months ended May 31, 2014 as we made upgrades to various premises and facilities at our existing schools.

Gross Profit

Gross profit increased by 8.0% from RMB139.3 million for the nine months ended May 31, 2013 to RMB150.5 million for the nine months ended May 31, 2014 in line with the growth of our business. Our gross margin remained stable from 42.8% for the nine months ended May 31, 2013 to 41.2% for the nine months ended May 31, 2014.

Investment and Other Income

Investment and other income increased by 25.0% from RMB3.6 million for the nine months ended May 31, 2013 to RMB4.5 million for the nine months ended May 31, 2014. The increase was primarily attributable to interest income generated from certain financial products we purchased during the period.

Other Income, Gains and Losses

Other income, gains and losses decreased from a gain of RMB478,000 for the nine months ended May 31, 2013 to a loss of RMB95,000 for the nine months ended May 31, 2014. The decrease was primarily due to the fact that we recognized one-off gains attributable to the disposition of property, plant and equipment and to foreign exchange transactions for the nine months ended May 31, 2013 and we did not have similar dispositions or foreign exchange gains for the nine months ended May 31, 2014.

Marketing Expenses

Our marketing expenses increased slightly by 6.3% from RMB14.2 million for the nine months ended May 31, 2013 to RMB15.1 million for the nine months ended May 31, 2014.

Administrative Expenses

Our administrative expenses increased by 14.0% from RMB43.0 million for the nine months ended May 31, 2013 to RMB49.0 million for the nine months ended May 31, 2014 in line with the growth of our business.

Finance Costs

Finance costs increased by 6.3% from RMB11.1 million for the nine months ended May 31, 2013 to RMB11.8 million for the nine months ended May 31, 2014, reflecting the interest expense on our bank borrowings and banking facilities.

Other Expenses

Other expenses increased from RMB1.1 million for the nine months ended May 31, 2013 to RMB15.3 million for the nine months ended May 31, 2014. The increase was primarily attributable to expenses related to the **[REDACTED]** incurred during the nine months ended May 31, 2014.

Change in Fair Value on Redeemable Convertible Preferred Shares

Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares increased by 45.7% from RMB40.9 million for the nine months ended May 31, 2013 to RMB59.6 million for the nine months ended May 31, 2014 due to the increase in fair value of the Preferred Shares, which was primarily attributable to the increase in the fair value of the Company.

Change in Fair Value on Warrants/Gain on Cancellation of Warrants

We recognized a loss of RMB3.7 million in our consolidated statements of comprehensive income from change in fair value on warrants for the nine months ended May 31, 2014, compared to a loss of RMB5.2 million for the nine months ended May 31, 2013, which was primarily attributable to the increase in the fair value of the Company. We recognized a one-time gain on cancellation of warrants in the amount of RMB42.5 million in our consolidated statements of comprehensive income from the termination of the Series A warrant on January 15, 2014.

Profit before Income Tax

As a result of the foregoing, we recognized a gain of RMB27.9 million before income tax for the nine months ended May 31, 2013, compared to a gain of RMB42.7 million before income tax for the nine months ended May 31, 2014. Our profit before income tax as a percentage of revenue was 11.7% for the nine months ended May 31, 2014.

Taxation

Our income tax expense decreased from RMB5.7 million for the nine months ended May 31, 2013 to RMB5.0 million for the nine months ended May 31, 2014, which was primarily a result of Beipeng Software recognizing less assessable income during the period. Our effective income tax rate was 11.7% for the nine months ended May 31, 2014.

Profit for the Period

As a result of the above factors, we recorded a profit of RMB37.7 million for the nine months ended May 31, 2014, as compared to a profit of RMB22.2 million for the year nine months ended May 31, 2013.

Year Ended August 31, 2012 Compared to Year Ended August 31, 2013

Revenue

Our revenue increased by 14.0% from RMB413.5 million for the year ended August 31, 2012 to RMB471.2 million for the fiscal year ended August 31, 2013. This increase was primarily the result of revenue from tuition fees increasing by 10.6% from RMB367.1 million for the year ended August 31, 2012 to RMB406.0 million for the year ended August 31, 2013 due to an increase in student enrollment. Our student enrollment increased by approximately 11.3% from approximately 10,509 as of the end of the 2011/2012 school year to approximately 11,697 as of the end of the 2012/2013 school year, primarily due to the opening of new schools in Luoyang and Ordos, which began operations for the 2012/2013 school year, and an increase in the number of students enrolled in our existing schools. Revenue from the sale and lease of textbooks increased 15.4% from RMB15.6 million for the year ended August 31, 2012 to RMB18.0 million for the year ended August 31, 2013 in line with the growth of our student enrollment. Revenue from our summer and winter camps increased by 53.2% from RMB17.1 million for the year ended August 31, 2012 to RMB26.2 million for the year ended August 31, 2013 primarily due to an increase in the number of students participating in our summer and winter camps. Revenue from other educational services increased by 54.0% from RMB13.7 million for the year ended August 31, 2012 to RMB21.1 million for the year ended August 31, 2013 primarily due to an increase in the number of students using our graduation consulting services and an increase in the number of students taking our summer classes.

Cost of Revenue

Cost of revenue increased by 20.9% from RMB222.3 million for the year ended August 31, 2012 to RMB268.8 million for the year ended August 31, 2013. This increase was primarily the result of a RMB22.9 million increase in staff costs, a RMB12.0 million increase in other costs and a RMB8.2 million increase in other training expenses. Staff costs increased by 17.1% from RMB134.3 million for the year ended August 31, 2012 to RMB157.2 million for the year ended August 31, 2013 primarily as a result of an approximate 20.0% increase in the number of teachers from 863 in the year ended August 31, 2012 to 1,036 in the year ended August 31, 2013 as a result of the expansion of our operation in established schools and opening of new schools. Depreciation and amortization increased by 13.0% from RMB26.2 million for the year ended August 31, 2012 to RMB29.6 million for the year ended August 31, 2013 as a result of an increase in fixed assets as we completed the construction of our new schools in Zhenjiang and additional premises for our existing schools in Wuhan during the period. Other training expenses increased by 46.6% from RMB17.6 million for the year ended August 31, 2012 to RMB25.8 million for the year ended August 31, 2013 in line with the growth attributable to our summer and winter camps. Other costs increased by 27.1% from RMB44.2 million for the year ended August 31, 2012 to RMB56.2 million for the year ended August 31, 2013 as we made upgrades to various facilities at our existing schools.

Gross Profit

Gross profit increased by 6.0% from RMB191.1 million for the year ended August 31, 2012 to RMB202.5 million for the year ended August 31, 2013. Our gross margin decreased from 46.2% for the year ended

August 31, 2012 to 43.0% for the year ended August 31, 2013 primarily due to staff costs, other training expenses and other costs growing at a faster rate than the growth in revenue. This was primarily due to the fact that we opened new schools in Luoyang and Ordos during the period and that the utilization rate of new schools is typically lower during the initial years of operations.

Investment and Other Income

Investment and other income remained RMB4.9 million for the year ended August 31, 2012 and 2013.

Other Income, Gains and Losses

Other income, gains and losses increased from a loss of RMB1.6 million for the year ended August 31, 2012 to a gain of RMB0.1 million for the year ended August 31, 2013. This was primarily due to the impairment of goodwill arising from our acquisition of Dalian Maple Leaf Jiabao Preschool.

Marketing Expenses

Our marketing expenses increased by 45.1% from RMB14.4 million for the year ended August 31, 2012 to RMB20.9 million for the year ended August 31, 2013, as a result of additional marketing efforts we made to promote our new schools in Luoyang and Ordos.

Administrative Expenses

Our administrative expenses increased by 17.1% from RMB47.9 million for the year ended August 31, 2012 to RMB56.1 million for the year ended August 31, 2013 in line with the growth of our business.

Other Expenses

Other expenses increased by 7.1% from RMB1.4 million for the year ended August 31, 2012 to RMB1.5 million for the year ended August 31, 2013. This was primarily due to an increase in the amount of operating expenses and depreciation incurred in connection with certain properties that we lease to third parties.

Finance Costs

Finance costs increased by 2.6% from RMB15.2 million for the year ended August 31, 2012 to RMB15.6 million for the year ended August 31, 2013, reflecting the interest expense on our bank borrowings and banking facilities.

Change in Fair Value on Redeemable Convertible Preferred Shares

Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares increased from RMB10.4 million for the year ended August 31, 2012 to RMB63.7 million for the year ended August 31, 2013 due to the increase in fair value of the Preferred Shares, which was primarily attributable to the increase in the fair value of the Company.

Change in Fair Value on Warrants

Losses recognized in our consolidated statements of comprehensive income from change in value on warrants increased from RMB1.8 million for the year ended August 31, 2012 to RMB8.4 million for the year ended August 31, 2013 due to the increase in fair value of the Series A Warrant, which was in line with the change in fair value of the Preferred Shares.

Profit before Income Tax

As a result of the foregoing, our profit before income tax decreased by 60.0% from RMB103.1 million for the fiscal year ended August 31, 2012 to RMB41.2 million for the fiscal year ended August 31, 2013. Our profit before income tax as a percentage of revenue decreased from 24.9% for the year ended August 31, 2012 to 8.7% for the year ended August 31, 2013.

Taxation

Our income tax expenses remained RMB9.2 million and RMB8.0 million for the year ended August 31, 2012 and 2013. Our effective income tax rate was 8.9% for the year ended August 31, 2012, compared to 19.5% for the year ended August 31, 2013.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB33.2 million for the year ended August 31, 2013, as compared to a profit of RMB94.0 million for the year ended August 31, 2012.

Year Ended August 31, 2011 Compared to year Ended August 31, 2012

Revenue

Our revenue increased by 19.5% from RMB346.1 million for the year ended August 31, 2011 to RMB413.5 million for the fiscal year ended August 31, 2012. This increase was primarily the result of revenue from tuition fees increasing by 20.5% from RMB304.7 million for the year ended August 31, 2011 to RMB367.1 million for the year ended August 31, 2012, due to a 15.2% increase in student enrollment and approximately 13% increase in the tuition fees charged to new students enrolled in certain schools. Our student enrollment increased by approximately 15.2% from approximately 9,120 as of the end of the 2010/2011 school year to approximately 10,509 as of the end of the 2011/2012 school year, primarily due to the opening of new schools in Zhenjiang, which began operations for the 2011/2012 school year and an increase in the number of students enrolled in our existing schools. Revenue from the sale and lease of textbooks increased 18.2% from RMB13.2 million for the year ended August 31, 2011 to RMB15.6 million for the year ended August 31, 2012 in line with the growth of our student enrollment. Revenue from our summer and winter camps increased by 4.9% from RMB16.3 million for the year ended August 31, 2011 to RMB17.1 million for the year ended August 31, 2012 primarily due to an increased number of students participating in our summer and winter camps. Revenue from other educational services increased by 16.1% from RMB11.8 million for the year ended August 31, 2011 to RMB13.7 million for the year ended August 31, 2012 primarily due to an increase in the number of students using our services.

Cost of Revenue

Cost of revenue increased by 17.2% from RMB189.7 million for the year ended August 31, 2011 to RMB222.3 million for the year ended August 31, 2012. This increase was primarily due to an increase in staff costs by 16.4% from RMB115.4 million for the year ended August 31, 2011 to RMB134.3 million for the year ended August 31, 2012. The increase in staff costs was primarily due to an increase in the number of teachers as we hired more teachers for the expansion of our established schools and for our new schools. In particular, the number of our teachers increased by approximately 23.5% from 699 in the year ended August 31, 2011 to 863 in the year ended August 31, 2012, primarily attributable to an increase in the number of PRC-certified teachers. Depreciation and amortization increased by 2.7% from RMB25.5 million for the year ended August 31, 2011 to RMB26.2 million for the year ended August 31, 2012 as a result of an increase in fixed assets as we completed the construction of certain schools and facilities during the period. Other training expenses increased by 24.8% from RMB14.1 million for the year ended August 31, 2011 to RMB17.6 million for the year ended August 31, 2012 primarily as a result of the relatively higher costs associated with the tour to universities and colleges in the United States. Other costs increased by 27.4% from RMB34.7 million for the year ended August 31, 2011 to RMB44.2 million for the year ended August 31, 2012 generally in line with the growth of our business.

Gross Profit

Our gross profit increased by 22.2% from RMB156.4 million for the year ended August 31, 2011 to RMB191.1 million for the year ended August 31, 2012 in line with the growth of our business. Our gross margin remained stable from 45.2% for the year ended August 31, 2011 to 46.2% for the year ended August 31, 2012.

Investment and Other Income

Investment and other income increased from RMB1.6 million for the year ended August 31, 2011 to RMB4.9 million for the year ended August 31, 2012. The increase was primarily attributable to an increase in interest income from our bank deposits and rental income from office space that we leased to third parties starting in 2012.

Other Income, Gains and Losses

Other income, gains and losses decreased from a gain of RMB6.7 million for the year ended August 31, 2011 to a loss of RMB1.6 million for the year ended August 31, 2012. The decrease was due to certain one-off gains we recognized for the year ended August 31, 2011, representing the liquidated damages and penalty fees received from a third party for a breach of contract and land requisition compensation from the relevant local PRC government.

Marketing Expenses

Our marketing expenses increased by slightly 3.6% from RMB13.9 million for the year ended August 31, 2011 to RMB14.4 million for the year ended August 31, 2012.

Administrative Expenses

Our administrative expenses increased by 39.7% from RMB34.3 million for the fiscal year ended August 31, 2011 to RMB47.9 million for the fiscal year ended August 31, 2012. This increase was primarily the result of salaries and benefits paid to administrative personnel increasing by 32.3% from RMB19.8 million for the fiscal year ended August 31, 2011 to RMB26.2 million for the fiscal year ended August 31, 2012, primarily due to the fact that we appointed additional senior management, increased the salaries of existing senior management, and recorded salaries paid to our principals under administrative expenses instead of cost of revenue.

Finance Costs

Finance costs increased by 1.3% from RMB15.0 million for the year ended August 31, 2011 to RMB15.2 million for the year ended August 31, 2012, reflecting the interest expense on our bank borrowings and banking facilities.

Other Expenses

Other expenses decreased by 77.8% from RMB6.3 million for the year ended August 31, 2011 to RMB1.4 million for the year ended August 31, 2012. This was primarily due to expenses related to the previous US listing attempt incurred during the financial year ended August 31, 2011 and a decrease in the amount of operating expenses and depreciation incurred in connection with certain properties that we lease to third parties, due to a decrease in the number of properties we leased to third parties.

Change in Fair Value on Redeemable Convertible Preferred Shares

Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares decreased by 90.0% from RMB104.0 million for the year ended August 31, 2011 to RMB10.4 million for the year ended August 31, 2012 due to a smaller increase in the fair value of Preferred Shares attributable to changes in certain factors applied in making the valuation. The larger increase in fair value for the year ended August 31, 2011 was primarily due to a valuation adjustment and the adjustment of the conversion price of the Preferred Shares in February 2011.

Change in Fair Value on Warrants

Losses recognized in our consolidated statements of comprehensive income from change in fair value on warrants decreased by 91.8% from RMB22.0 million for the year ended August 31, 2011 to RMB1.8 million for the year ended August 31, 2012 due to a smaller increase in fair value of the Series A Warrant in line with the change in fair value of the Preferred Shares. The large increase in fair value for the year ended August 31, 2011 was primarily due to a valuation adjustment and the adjustment of the exercise price of the Series A Warrant in February 2011.

Profit before Income Tax

As a result of the foregoing, our loss before income tax for the year ended August 31, 2011 was RMB30.7 million, and our profit before income tax for the year ended August 31, 2012 was RMB103.1 million. Our loss before income tax as a percentage of revenue was 8.9% for the fiscal year ended August 31, 2011. Our profit before income tax as a percentage of revenue was 24.9% for the fiscal year ended August 31, 2012.

Taxation

Our income tax expenses increased from RMB7.6 million for the year ended August 31, 2011 to RMB9.2 million for the year ended August 31, 2012. Our effective income tax rate was -24.7% for the year ended August 31, 2011 and 8.9% for the year ended August 31, 2012 primarily attributable to change in fair value of the Preferred Shares and the Series A Warrant.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB94.0 million for the year ended August 31, 2012, as compared to net loss of RMB38.2 million for the year ended August 31, 2011.

NET CURRENT ASSETS AND LIABILITIES

	As at August 31,			As at May 31,	As at September 30,
	2011	**2012**	**2013**	**2014**	**2014**
		(RMB'000)			
					(Unaudited)
CURRENT ASSETS					
Deposit, prepayments and other receivable	13,283	12,483	16,256	19,386	25,051
Bank balances and cash	234,903	297,036	409,303	179,088	434,348
Available-for-sale investments	—	—	—	—	3,621
Restricted bank deposits	—	—	—	—	4,000
	248,186	309,519	425,559	198,474	467,020
CURRENT LIABILITIES					
Deferred revenue	319,847	357,475	408,325	214,520	473,968
Other payables and accrued expenses	87,087	109,842	188,607	166,087	208,531
Amounts due to related parties	13,822	13,805	13,491	3,545	3,863
Income tax payable	10,205	14,873	17,541	16,183	17,078
Bank borrowings	233,500	170,000	215,000	224,000	153,500
Redeemable convertible preferred shares	307,260	317,700	381,420	441,062	—
Warrants	28,620	30,405	38,815	—	—
	1,000,341	1,014,100	1,263,199	1,065,397	856,940
Net current liabilities	(752,155)	(704,581)	(837,640)	(866,923)	(389,920)

As of August 31, 2011, 2012 and 2013 and May 31 and September 30, 2014, we had net current liabilities of RMB752.2 million, RMB704.6 million, RMB837.6 million, RMB866.9 million and 389.9 million, respectively. We had net current liabilities as of each of these dates primarily due to amounts recognized as deferred revenue, amounts recognized as other payables and bank borrowings and amounts recognized as redeemable convertible preferred shares. We recognize deferred revenue from tuition fees, textbook fees, among other things, received prior to the beginning of the relevant semester. Tuition fees and textbook rental income from all of our schools except our preschools are generally paid in advance prior to the beginning of each school year and are initially recorded as deferred revenue. We record payment of tuition fees initially as a liability under deferred revenue and recognize such amounts received as revenue proportionately over the relevant period in which students attend the applicable program. We recognize textbook rental income as a liability until the end of the relevant school year. The amount of deferred revenue is typically less as of May 31 since a certain amount of tuition services have already been rendered. Other payables and accrued expenses consist primarily of payables for purchase of property, plant and equipment in connection with our expansion and maintenance of our schools, deposits from students for the textbooks rented and miscellaneous expenses received from students, which primarily include expenses for purchasing laptop computers and school uniforms, registration fees required under the BC Global Education Program and expenses related to other on-campus activities. Our Directors confirm that we did not have any material defaults in other payables during the Track Record Period. Bank borrowings represent primarily short-term loans used in connection with our business expansion. Our current liabilities also include amounts due to related parties, which represent shareholder loans from our Founder and our Founder's Sisters. We will settle all amounts due to our related parties prior to the **[REDACTED]**. For more information, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of August 31, 2011, 2012 and 2013 and May 31 and September 30, 2014, and require a high level of working capital to sustain our operations, expansion and overall growth" in this **[REDACTED]**.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

We historically have financed our operations primarily through cash generated from our operations, short term and long term bank loans, loans and advances from shareholders and related parties and capital contributions from shareholders. As of August 31, 2013, we had RMB409.3 million in cash and cash equivalents. For more information on the terms of the Preferred Shares and warrants, see the section headed "History and Corporate Structure — **[REDACTED]** Investment — Preferred Shares" in this **[REDACTED]**.

Our future cash requirements will depend on many factors, including our operating income, the cost of maintaining, renovating and upgrading existing school premises, building additional premises for our existing schools, purchasing educational equipment and facilities for our schools and hiring additional teachers and other staff.

Our current debt and other contractual obligations and commercial commitments reduce our liquidity and place some limitations on our ability to make capital expenditures to support the expansion of our business. We expect to fund our future working capital, capital expenditure and other cash requirements from cash generated from our operations, the net proceeds from the **[REDACTED]** and where necessary, bank and other borrowings or future equity **[REDACTED]**. However, such financing may not be available on terms that are favorable to us, or at all. See the section headed "Risk Factors — Risks Relating to the **[REDACTED]** — We may need additional capital, and the sale or issue of additional Shares or other equity securities, including pursuant to the **[REDACTED]** Share Option Scheme, **[REDACTED]** Share Option Scheme and RSU Scheme, could result in additional dilution to our Shareholders" in this **[REDACTED]**.

We consolidate the results of our consolidated affiliated entities and our access to their cash balances or future earnings is through our contractual arrangements with them. See the section headed "History and Corporate Structure" in this **[REDACTED]**.

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

	Year ended August 31,			Nine months ended May 31,
	2011	2012	2013	2014
			(RMB'000)	
Net cash from (used in) operating activities	235,667	216,782	250,274	(82,000)
Net cash used in investing activities	(154,498)	(74,256)	(227,201)	(75,620)
Net cash from (used in) financing activities	23,786	(80,379)	89,346	(72,722)
Increase (Decrease) in cash and cash equivalents	104,955	62,147	112,419	(230,342)
Cash and cash equivalents at beginning of the year/period	130,038	234,903	297,036	409,303
Effect of foreign exchange rate changes	(90)	(14)	(152)	127
Cash and cash equivalents at end of the year/period, representing bank balances and cash	234,903	297,036	409,303	179,088

Operating Activities

We generate cash from operating activities primarily from tuition fees, fees for summer and winter camps and graduation consulting service fees, all of which are typically paid in advance before the respective services are rendered. Tuition fees, fees for summer and winter camps and graduation consulting service fees are initially recorded under deferred revenue. We recognize such amounts received as revenue proportionately over the relevant period in which students attend the applicable program. Due to the manner in which we recognize the aforementioned fees as revenue, we typically have cash outflows for operating activities throughout the school year. Cash from operating activities is also affected by other payables and accrued expenses. For example, we typically make payments to laptop computer vendors in August every year and pay registration fees to the BCMOE in December every year.

Net cash used in operating activities amounted to RMB82.0 million for the nine months ended May 31, 2014, consisting of RMB189.1 million of negative net working capital adjustments that was offset in part by RMB107.1 million of cash generated from operations before working capital adjustments. Our negative net working capital adjustments primarily consisted of: (i) a RMB193.8 million decrease in deferred revenue, which represented the portion of the deferred revenue that was recognized over the period, and (ii) a RMB10.5 million decrease in other payables and accrued expenses, which represented the portion of miscellaneous expenses received from students that was recognized over the period.

Net cash from operating activities amounted to RMB250.3 million for the year ended August 31, 2013, consisting of RMB165.7 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB84.6 million. Our positive net working capital adjustments primarily consisted of: (i) a RMB50.9 million increase in deferred revenue that primarily related to increased tuition fees resulting from an increase in student enrollment associated with the expansion of our schools geographically and at our existing schools, and (ii) a RMB35.9 million increase in other payables and accrued expenses in line with the increase in student enrollment.

Net cash from operating activities amounted to RMB216.8 million for the year ended August 31, 2012, consisting of RMB164.3 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB52.5 million. Our positive net working capital adjustments primarily consisted of: (i) a RMB37.6 million increase in deferred revenue that primarily related to increased tuition fees resulting from an increase in student enrollment associated with the expansion of our schools geographically and at our existing schools, and (ii) a RMB12.8 million increase in other payables and accrued expenses resulting from the increase in student enrollment and the fact that we started to purchase laptop computers on behalf of our high school students in the 2011/2012 school year.

Net cash from operating activities amounted to RMB235.7 million for the year ended August 31, 2011, consisting of RMB141.6 million of cash generated from operations before working capital adjustments and positive net working capital adjustments of RMB94.0 million. Our positive net working capital adjustments primarily consisted of: (i) a RMB74.7 million increase in deferred revenue that primarily related to increased tuition fees resulting from an increase in student enrollment associated with the expansion of our schools geographically and at our existing schools, and (ii) a RMB15.9 million increase in other payables and accrued expenses resulting from in line with the increase in student enrollment.

Investing Activities

Our expenditures for investing activities were primarily for the purchase of property, plant and equipment, prepaid lease payments and books for lease.

Net cash used in investing activities amounted to RMB75.6 million for the nine months ended May 31, 2014, which was primarily attributable to RMB83.0 million in purchases of property, plant and equipment and RMB3.0 million in purchase of books for lease, partially offset by RMB10.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property, plant and equipment primarily related to the construction of additional school premises for our Wuhan and Tianjin campuses and our new high school in Shanghai.

Net cash used in investing activities amounted to RMB227.2 million for the fiscal year ended August 31, 2013, primarily attributable to RMB200.1 million in purchases of property, plant and equipment and RMB37.2 million in purchase of prepaid lease payments, and RMB2.4 million in purchase of books for lease partially offset by RMB10.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property, plant and equipment primarily related to the construction of additional school premises for our Wuhan campus and our new schools in Shanghai and Zhenjiang, and the purchase of educational equipment and facilities for our new schools in Luoyang.

Net cash used in investing activities amounted to RMB74.3 million for the fiscal year ended August 31, 2012, primarily attributable to RMB93.3 million in purchases of property, plant and equipment and RMB9.0 million in purchase of prepaid lease payments, and RMB3.7 million in purchase of books for lease partially offset by RMB1.5 million in proceeds from disposal of available-for-sale investments and RMB30.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property and equipment primarily related to the construction of our new schools in Zhenjiang.

Net cash used in investing activities amounted to RMB154.5 million for the fiscal year ended August 31, 2011, primarily attributable to RMB130.1 million in purchases of property, plant and equipment, RMB30.4 million in deferred payment for the acquisition of Tianjin Binhai School, the name of which was later changed to Tianjin Taida Maple Leaf International School (High School), RMB4.5 million in purchase of prepaid lease payments, and RMB2.2 million in purchase of books for lease partially offset by RMB2.2 million in proceeds from disposal of available-for-sale investments and RMB10.0 million in advance from a third party for disposal of property, plant and equipment. The purchase of property, plant and equipment primarily related to the construction of additional school premises for our Tianjin campus.

Financing Activities

Our expenditures for financing activities were primarily for the prepayments of borrowings and payment of interest expense.

Net cash used in financing activities amounted to RMB72.7 million for the nine months ended May 31, 2014, which was primarily attributable to RMB196.0 million in repayments of borrowings and RMB11.7 million in payment of interest expense, offset in part by RMB145.0 million in proceeds raised from new borrowings.

Net cash from financing activities amounted to RMB89.3 million for the fiscal year ended August 31, 2013, primarily attributable to RMB275.0 million in proceeds raised from new borrowings, offset in part by RMB170.0 million in repayments of borrowings and RMB15.7 million in payment of interest expense.

Net cash used in financing activities amounted to RMB80.4 million for the fiscal year ended August 31, 2012, primarily attributable to RMB233.5 million in repayments of borrowings and RMB16.9 million in payment of interest expense, offset in part by RMB170.0 million in proceeds raised from new borrowings.

Net cash from financing activities amounted to RMB23.8 million for the fiscal year ended August 31, 2011, primarily attributable to RMB218.5 million in proceeds raised from new borrowings, offset in part by RMB180.0 million in repayments of borrowings and RMB14.2 million in payment of interest expense.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations and by the net proceeds from the **[REDACTED]**. We have closely monitored the level of our working capital and will continue to do so, particularly in view of our strategy to continue expanding our school network. Our Co-CFOs, Ms. Jingxia Zhang and Mr. Bin Xu, are mainly responsible for ensuring that our working capital requirements are met.

Our working capital requirements are affected by a range of factors, including the size of our school network, the cost of maintaining, renovating and upgrading existing school premises, building additional premises for our existing schools, purchasing educational equipment and facilities for our new schools, and the staff costs associated with our schools. Our Directors believe, and the Joint Sponsors concur, that our cash, the anticipated cash flow from operations, bank borrowings and the net proceeds from the **[REDACTED]** will be sufficient to meet our present and anticipated cash requirements for at least twelve months from the date of this **[REDACTED]**.

CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

Property rental income earned during the years ended August 31, 2011, 2012 and 2013 and for the nine months ended May 31, 2014 was approximately RMB1.0 million, RMB3.6 million, RMB3.8 million and RMB2.8 million, respectively. All of the properties held have committed tenants for the next 2 years.

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

	At August 31,			May 31,
	2011	2012	2013	2014
		(RMB'000)		
Within one year	2,065	3,196	3,484	2,194
In the second to fifth years inclusive	5,881	8,297	3,625	1,705
Total	7,946	11,493	7,109	3,899

Capital Commitments

We made capital commitments of RMB6.0 million, RMB11.4 million, RMB23.7 million and RMB6.1 million in the fiscal years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, respectively, in respect of the acquisition of property, plant and equipment and such sums included payments on construction projects in prior years. In the past, our capital expenditures were primarily used to construct educational facilities for our business.

The following table sets forth the capital commitments of the Group the end of the reporting periods:

	As at August 31,			As at May 31,
	2011	2012	2013	2014
		(RMB'000)		
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of — property, plant and equipment	6,022	11,370	23,684	6,083

Contingent Liabilities

Except as disclosed in the indebtedness statement as set out below, we did not have any trade payables, outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of September 30, 2014, being the latest practicable date for the purpose of the indebtedness statement, and was not involved in any material legal proceedings. The Directors are not aware of any pending or potential material legal proceedings involving our Group.

CAPITAL EXPENDITURES

Our capital expenditures consist primarily of maintaining, renovating and upgrading existing school premises, building additional premises for our existing schools, and purchasing educational equipment and facilities for our new schools. Our capital expenditures for the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014 were, RMB167.1 million, RMB106.1 million, RMB239.7 million and RMB86.0 million, respectively. Our capital expenditures during the Track Record Period were primarily related to the construction of additional school premises in Wuhan, Tianjin and Dalian and the purchase of land use rights and the construction of school premises for our new schools in Zhenjiang and Shanghai.

The following table sets forth our cash flows of capital expenditures for the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014:

	Year ended August 31,			Nine months ended May 31,	
	2011	2012	2013	2013	2014
			(RMB'000)		
				(Unaudited)	
Property, plant and equipment	130,066	93,306	200,135	92,252	83,023
Prepaid lease payments	4,498	9,034	37,200	31,200	—
Purchase of books for lease	2,182	3,739	2,413	2,413	2,967
Payment for acquisition of Tianjin Taida Maple in 2008	30,375	—	—	—	—
Total	167,121	106,079	239,748	125,865	85,990

INDEBTEDNESS

The following table sets forth our borrowings, redeemable convertible preferred shares and warrants as of the dates indicated:

	As at August 31,			As at May 31, 2014	As at September 30, 2014
	2011	2012	2013		
	(RMB'000)				(Unaudited)
Bank borrowings					
Secured	198,500	90,000	145,000	89,000	88,500
Unsecured	35,000	80,000	130,000	135,000	65,000
	233,500	170,000	275,000	224,000	153,500
Carrying amounts repayable:					
Within one year	233,500	170,000	215,000	224,000	153,500
More than one year, but not exceeding two years	—	—	60,000	—	—
	233,500	170,000	275,000	224,000	153,500
Redeemable convertible preferred shares	307,260	317,700	381,420	441,062	484,036
Warrants	28,620	30,405	38,815	—	—

As of August 31, 2013, we had one long-term loan agreement with an aggregate balance of RMB60.0 million outstanding. The long-term loan has a term of two years and will be due in January 2015 according to the loan agreement. The long-term loan bears a fixed interest rate of 6.765%, is secured by our buildings and land use right and is guaranteed by Dalian Maple Leaf Educational Group Co., Ltd. None of these loans are guaranteed by any third party. As of August 31, 2013, we had six short-term loan agreements with a total of RMB215.0 million outstanding. Most of these loans are guaranteed by Dalian Maple Leaf Educational Group Co., Ltd. The short term loans are for working capital purposes, with a maturity term of one year. As of August 31, 2013, the interest rates for five of the short-term loans were fixed rates ranging from 6.0% to 6.9% per annum. The remaining short-term loan had a variable interest rate. The effective interest rate for this short-term loan was 6.3% per annum. As of August 31, 2013, an aggregate of RMB145 million in bank loans were secured by our buildings and land use right. Our loan agreements require us to obtain the banks' consent and/or inform the banks in advance should our schools consolidate or merge with, amalgamate into or transfer substantially their entire assets to any other parties. As of August 31, 2013, we recognized an amount of RMB381.4 million as the financial liabilities of our redeemable convertible preferred shares and an amount of RMB38.8 million as the financial liabilities of our Series A Warrant.

As of May 31, 2014, we had five short-term loans with an aggregate balance of RMB165 million and one long-term loan with a balance of RMB59 million outstanding, all of which are for working capital purposes and are repayable within one year. The long-term loan has a term of two years and will be due in January 2015 according to the loan agreement. Most of these loans are guaranteed by Dalian Maple Leaf Educational Group Co., Ltd. None of these loans are guaranteed by any third party. As of May 31, 2014, the interest rates for short-term loans were fixed rates ranging from 6.0% to 6.9% per annum. One of the short-term loans was secured by our buildings and land use right. The long-term loan had a fixed interest rate of 6.765% per annum and was secured by our buildings and land use right. As of May 31, 2014, we recognized an amount of RMB441.1 million as a financial liability in relation to our Preferred Shares.

As of September 30, 2014, which is the latest practicable date for our indebtedness statement, we had three short-term loans with an aggregate balance of RMB95.0 million outstanding and one long-term loan with a balance of

RMB58.5 million outstanding, all of which are for working capital purposes and are repayable within one year. The long-term loan has a term of two years and will be due in January 2015 according to the loan agreement. Most of these loans are guaranteed by Dalian Maple Leaf Educational Group Co., Ltd. None of these loans are guaranteed by any third party. As of September 30, 2014, the interest rates for short-term loans were fixed rates ranging from 6.0% to 6.44% per annum. One of the short-term loans was secured by our buildings and land use right. The long-term loan had a fixed interest rate of 6.765% per annum and was secured by our buildings and land use right. As of September 30, 2014, we recognized an amount of RMB484.0 million as a financial liability in relation to our Preferred Shares. Except as aforesaid and apart from intra-group liabilities, we did not have, as of September 30, 2014, any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors have confirmed that we have not had any material default with regards to any bank borrowings and have not breached any material covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. We believe that there are no material covenant in our outstanding bank borrowings. Our Directors have confirmed that we do not have any plan to raise material external debt financing as of the Latest Practicable Date. As of the Latest Practicable Date, we had RMB226.5 million unutilized banking facilities.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Exchange Risk

Substantially all of our revenue and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risk should be limited, the value of your investment in our Shares will be affected by the exchange rate between the Hong Kong dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while the Shares will be traded in Hong Kong dollars.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, was based on fixed rates set by the PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2% on that date. On September 23, 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On April 16, 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 0.5% to 1% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. On March 15, 2014, the PBOC further enlarged the floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 1% to 2%, effective from March 17, 2014. However, it remains difficult to predict how this new policy may impact the Renminbi exchange rate. To the extent that we need to convert Hong Kong dollars we receive from this **[REDACTED]** into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert the Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amounts available to us.

[REDACTED]

Interest Risk

Our exposure to interest rate risk primarily relates to the interest rates for our outstanding debt and the interest income generated by excess cash invested in liquid investments with original maturities of three months or less. As of May 31, 2014, we had RMB165 million of short-term loans and RMB59 million of long-term loan due within one year outstanding. All of our loans are subject to a fixed interest rate, varying from 6.0% to 6.9%. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectation due to changes in market interest rates.

Inflation Risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the consumer price index in China increased by 5.4% in 2011, increased by 2.6% in 2012 and increased by 2.6% in 2013. Although we have not, in the past, been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios as of the respective dates:

	As at/for the years ended August 31,			As at/for the nine months ended May 31,
	2011	2012	2013	2014
Return on equity	-13.2%	24.5%	7.9%	11.1%
Return on total assets	-2.9%	6.4%	1.8%	3.1%
Adjusted return on invested capital	10.3%	11.8%	9.5%	7.0%
Current ratio	0.25	0.31	0.34	0.19
Gearing ratio	80.5%	44.2%	65.8%	49.1%
Adjusted gearing ratio	39.1%	24.2%	34.4%	25.0%
Interest coverage ratio	-1.05	7.77	3.65	4.61

As of August 31, 2011, 2012 and 2013 and May 31, 2014, our return on equity, which is calculated as net income divided by shareholders' equity for the respective year or nine-month period (as annualized by multiplying by 365/273), was approximately -13.2%, 24.5%, 7.9% and 11.1%, respectively. The increase in our return on equity during the year ended August 31, 2012 was primarily attributable to our profit for the year increasing at a higher rate than our shareholders' equity during the period, which was primarily due to change in fair value of the Preferred Shares.

As of August 31, 2011, 2012 and 2013 and May 31, 2014, our return on total assets, which is calculated as profit for the year divided by total assets for the respective year or nine-month period (as annualized by multiplying by 365/273), which was approximately -2.9%, 6.4%, 1.8% and 3.1%, respectively. The increase in our return on total assets during the year ended August 31, 2012 was primarily attributable to our profit increasing at a higher rate than our total assets during the period, which was primarily due to change in fair value of the Preferred Shares.

As of August 31, 2011, 2012 and 2013 and May 31, 2014, our adjusted return on invested capital, which is calculated as the sum of (loss) profit, share-based payments, change in fair value on Preferred Shares, change in fair value on warrants and gain on cancellation of warrants for the year/nine-month period (as annualized by 365/273) minus dividend divided by sum of borrowings, Preferred Shares, warrants and total equity for the respective year or period, which was approximately 10.3%, 11.8%, 9.5% and 7.0%, respectively. The fluctuations in our adjusted return on invested capital during Track Record Period was primarily attributable to changes in fair value of the Preferred Shares.

As of August 31, 2011, 2012 and 2013 and May 31, 2014, our current ratio, which is calculated as current assets divided by current liabilities as of the end of the respective year/period, 0.25, 0.31, 0.34 and 0.19, respectively. The increase in current ratio during the Track Record Period reflects the increase in our current assets outpacing the rate of growth of our current liabilities.

As of August 31, 2011, 2012 and 2013 and May 31, 2014, our gearing ratio, which is calculated as total borrowings divided by total equity as of the end of the respective year/period, was approximately 80.5%, 44.2%, 65.8% and 49.1%, respectively. The decrease in our gearing ratio during the year ended August 31, 2012 was primarily due to the decrease in our total borrowings as a result of repayment of loans of RMB233.5 million.

As of August 31, 2011, 2012 and 2013 and May 31, 2014, our adjusted gearing ratio, which is calculated as total borrowings divided by total equity plus Preferred Shares for the respective year or period, was approximately 39.1%, 24.2%, 34.4% and 25.0%, respectively. The decrease in our adjusted gearing ratio during the year ended August 31, 2012 was primarily due to the decrease in our total borrowings as a result of repayment of loans of RMB233.5 million.

For the years ended August 31, 2011, 2012 and 2013 and the nine months ended May 31, 2014, our interest coverage, which is calculated as profit before tax and interest expense divided by interest expense for the respective year or period, was -1.05, 7.77, 3.65 and 4.61, respectively. The increase in our interest coverage for the year ended August 31, 2012 was primarily due to the increase in our profit before tax and interest expense as a result of a smaller increase in the fair value of Preferred shares. The decrease in our interest coverage for the year ended August 31, 2013 was primarily due to an increase in interest on bank loans.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We had not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we did not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We did not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

DIVIDEND POLICY

We have never declared or paid any dividends on our Ordinary Shares. We have no present plan to declare and pay any dividends on our shares or Shares in the near future. We currently intend to retain our available funds and any future earnings to operate and expand our business. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our consolidated affiliated entities, which are primarily incorporated in the PRC. Our consolidated affiliated entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, the Company's subsidiaries and consolidated affiliated entities in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include (i) a general reserve and (ii) a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the sponsors require reasonable returns to make annual appropriations of 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC.

No dividend has been paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed since the Track Record Period.

DISTRIBUTABLE RESERVES

Under the Cayman Companies Law, the share premium of the Company may be distributed, subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

[REDACTED]

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see Note 37 to the Accountant's Report set forth in Appendix I to this **[REDACTED]**. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable. We expect to settle our related party balances before the **[REDACTED]**.

[REDACTED]

[REDACTED]

PROPERTY INTERESTS

Except for our properties in Dalian, the value of which is apprised in the Property Valuation Report set forth in Appendix IV to this **[REDACTED]**, no single property we own has a carrying amount of 15% or more of our total assets. DTZ Debenham Tie Leung Limited, an independent property valuation firm, has valued the properties owned by us in Dalian as at August 31, 2014. The text of its letter, summary of values and valuation certificate are set out in the section headed "Appendix IV — Property Valuation Report" to this **[REDACTED]**.

The following table presents the reconciliation of the net book value of the relevant property interests, including land use rights, as at May 31, 2014 to their fair value as at August 31, 2014 as stated in the section headed "Property Valuation Report" as set out in Appendix IV to this **[REDACTED]**.

Property interests reconciliation

	RMB'000
Net book amount of property interests of the Group as of May 31, 2014	379,481
Less: Depreciation during June, July and August 2014	(2,427)
Net book amount of property interests of the Group as of August 31, 2014	377,054
Valuation deficit	(209,054)
Valuation of properties as of August 31, 2014 as set out in "Appendix IV — Property Valuation Report"	168,000

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since May 31, 2014 (being the date to which the latest audited consolidated financial information of our Group was prepared) and up to the Latest Practicable Date, there had been no material change in the industry in which we operate or to our business and financial condition that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this **[REDACTED]**. During the same periods, our results of operations were largely in line with our expectations.

We have prepared the consolidated financial information for the financial year ended August 31, 2014. The following tables set forth summaries of the key consolidated financial information of our Group for the years ended August 31, 2013 and 2014.

Consolidated Statements of Profit and Loss and Other Comprehensive Income

	Year ended August 31,	
	2014	2013
	(RMB'000)	
Revenue	540,269	471,219
Cost of revenue	(305,148)	(268,751)
Gross profit	235,121	202,468
Operating profit[(1)]	138,884	125,464
Profit for the year	40,036	33,182
Adjusted net profit[(2)]	104,879	105,343

Note:

(1) Operating profit is calculated as gross profit minus marketing expenses, and then minus administration expenses.

(2) The following table reconciles our adjusted net profit for the periods presented to net profit, the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended August 31,	
	2014	**2013**
	RMB'000	**RMB'000**
Profit for the year	40,036	33,182
Add:		
Share-based payments	8,560	31
Change in fair value on redeemable convertible preferred shares	91,812	63,720
Loss on modification of redeemable convertible preferred shares	3,286	—
Change in fair value on warrants	3,695	8,410
Gain on cancellation of warrants	(42,510)	—
Adjusted net profit	104,879	105,343

Consolidated Statements of Financial Position

	As of August 31,	
	2014	**2013**
	(RMB'000)	
Current assets	570,699	425,559
Current liabilities	962,382	1,263,199
Total assets	2,007,705	1,827,888
Total liabilities	1,504,471	1,410,246
Share capital	511	511
Reserves	466,723	417,131
Total equity	467,234	417,642

See the sections headed "Appendix III — Consolidated Financial Information of the Company for the Financial Year Ended August 31, 2014" to this [REDACTED further discussion.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE [REDACTED] RULES

Our Directors confirm that, except as otherwise disclosed in this **[REDACTED]**, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the **[REDACTED]** Rules.