The following is the consolidated financial information of China Maple Leaf Educational Systems Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended August 31, 2014 ("2014 Financial Information") together with the discussion and analysis of the Group's financial condition and results of operations.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED AUGUST 31, 2014

		Year ended August 31,	
	NOTES	**2014**	**2013**
		RMB'000	**RMB'000**
Revenue	3	540,269	471,219
Cost of revenue		(305,148)	(268,751)
Gross profit		235,121	202,468
Investment and other income	4	5,702	4,859
Other income, gains and losses	5	(246)	101
Marketing expenses		(21,709)	(20,886)
Administrative expenses		(74,528)	(56,118)
Finance costs	6	(15,493)	(15,554)
Other expenses		(24,128)	(1,515)
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	—
Profit before taxation		48,436	41,225
Taxation	7	(8,400)	(8,043)
Profit for the year	8	40,036	33,182
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investments		249	316
Exchange difference arising on the translation of foreign operation		747	(120)
Other comprehensive income for the year		996	196
Total comprehensive income for the year		41,032	33,378
EARNINGS PER SHARE	10		
Basic (RMB)		0.56	0.46
Diluted (RMB)		0.02	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT AUGUST 31, 2014

		At August 31,	
	NOTES	2014	2013
		RMB'000	RMB'000
Non-current Assets			
Property, plant and equipment		1,218,897	1,177,025
Prepaid lease payments		191,715	196,589
Investment properties		17,850	18,704
Goodwill		1,982	1,982
Available-for-sale investments		—	3,493
Books for lease		3,407	3,309
Deposits for construction of property and land use right		1,037	1,227
Prepayment for purchase of property plant and equipment		2,118	—
		1,437,006	1,402,329
Current Assets			
Available-for-sale investments		161,741	—
Deposit, prepayments and other receivables		24,626	16,256
Restricted bank deposits		4,000	—
Bank balances and cash		380,332	409,303
		570,699	425,559
Current Liabilities			
Deferred revenue	11	500,231	408,325
Other payables and accrued expenses	12	218,148	188,607
Amounts due to related parties		3,544	13,491
Income tax payable		16,959	17,541
Bank borrowings	13	223,500	215,000
Redeemable convertible preferred shares		—	381,420
Warrants		—	38,815
		962,382	1,263,199
Net Current Liabilities		(391,683)	(837,640)
Total Assets Less Current Liabilities		1,045,323	564,689
Capital And Reserves			
Share capital		511	511
Reserves		466,723	417,131
		467,234	417,642
Non-Current Liabilities			
Deferred tax liabilities		19,171	14,347
Bank borrowings	13	—	60,000
Redeemable convertible preferred shares		476,518	—
Deposit received in respect of disposal of properties		80,000	70,000
Other non-current liabilities		2,400	2,700
		578,089	147,047
		1,045,323	564,689

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED AUGUST 31, 2014

1. BASIS OF PREPARATION

The 2014 Financial Information does not constitute the Group's consolidated financial statements for the year ended August 31, 2014 but is extracted from those consolidated financial statements.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards ("IASs"), amendments and the related interpretations ("IFRICs"), promulgated by the International Accounting Standards Board ("IASB"). The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those set out in the Group's consolidated financial information for the years ended August 31, 2011, 2012, and 2013 and for the nine months ended May 31, 2014.

The 2014 Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. It is prepared on the historical cost basis except for certain financial assets and liabilities which are stated at their fair value.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has consistently applied IASs, IFRSs, amendments and IFRICs, which are effective for the accounting period beginning on September 1, 2013 for the both years.

New or revised standards and interpretations that have been issued but not yet effective

The Group has not early applied the following new and revised standards, amendments and interpretation ("new and revised IFRSs") that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018

2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016

3 Effective for annual periods beginning on or after January 1, 2017

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

[4] Effective for annual periods beginning on or after July 1, 2014

[5] Effective for annual periods beginning on or after January 1, 2016

[6] Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

	Year ended August 31,	
	2014	**2013**
	RMB'000	**RMB'000**
Tuition and boarding fees	466,748	405,962
Others	73,521	65,257
	540,269	471,219

Major customers

No single customer contributes over 10% or more of total revenue of the Group for the years ended August 31, 2014 and 2013.

Geographical information

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

4. INVESTMENT AND OTHER INCOME

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Interest income	1,354	960
Dividends income from available-for-sale investments	146	144
Rental income from investment properties	3,644	3,755
Others	558	—
	5,702	4,859

5. OTHER INCOME, GAINS AND LOSSES

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
(Loss) gain on disposal of property, plant and equipment	(22)	286
Net foreign exchange (loss) gain	(202)	185
Others	(22)	(370)
	(246)	101

6. FINANCE COSTS

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Interest expense on bank borrowings wholly repayable within 5 years	15,493	15,554

7. TAXATION

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
The charge comprises		
Current tax:		
PRC Enterprise Income Tax ("EIT")	3,576	2,753
Deferred tax:		
Current year	4,824	5,290
	8,400	8,043

7. TAXATION – continued

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

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Profit before taxation	48,436	41,225
Tax at PRC EIT rates of 25%	12,109	10,306
Tax effect of tax loss not recognized	14,048	20,485
Utilization of tax loss previously not recognized	(1,655)	(2,452)
Tax effect of income not taxable for tax purposes	(100,824)	(90,822)
Tax effect of expenses not deductible for tax purposes	84,722	70,526
Tax charge for the year	8,400	8,043

The Company was incorporated in the Cayman Islands and Maple Leaf Educational Systems Limited ("Maple BVI") was incorporated in British Virgin Island ("BVI") that are tax exempted as no business carried out in Cayman Islands and BVI under the tax laws of the Cayman Islands and the BVI.

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

All subsidiaries of the Company established in the PRC are subject to the PRC EIT of 25% during the years ended August 31, 2014 and 2013.

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 treatment as public schools. Dalian Maple Leaf International School, Dalian Maple Leaf International School (Middle School and Elementary School), Tianjin Taida Maple Leaf International School, Wuhan Maple Leaf International School and Wuhan Maple Leaf School have been granted enterprise income tax exemption for the tuition income from relevant local tax authorities. During the year ended August 31, 2014, the tuition income not taxable is RMB403,294,000 (2013: RMB363,287,000), and the related expense not deductible is RMB164,280,000 (2013: RMB142,729,000).

As at August 31, 2014, the Group has unused tax loss of RMB27,411,000 (2013: RMB34,766,000) available for offset against future profits. No deferred tax assets have been recognized in respect of such tax losses due to the unpredictability of future tax profit streams. Tax losses of RMB27,411,000 (2013: RMB34,766,000) as of August 31, 2014 will expire in various years before 2019 (2013: 2018).

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB446,169,000 at August 31, 2014 (2013: RMB342,250,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. PROFIT FOR THE YEAR

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	216,085	189,003
— retirement benefit scheme contributions	8,387	6,815
— share-base payments	8,560	31
Total staff costs	233,032	195,849
Gross rental income from investment properties	(3,644)	(3,755)
Less:		
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year (included in other expenses)	1,366	1,406
Direct operating expense (including depreciation) incurred for investment properties that did not generate rental income during the year (included in other expenses)	147	109
	(2,131)	(2,240)
Depreciation of property, plant and equipment	35,424	29,873
Depreciation of investment properties	854	854
Release of prepaid lease payments	4,874	4,473
Amortization of books for lease	2,875	3,132
Auditors' remuneration	66	53
[REDACTED]-related expenses (included in other expenses)	22,511	—

9. DIVIDENDS

No dividend has been paid or proposed during the years ended August 31, 2014 and 2013.

10. EARNINGS PER SHARE

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

	Year ended August 31,	
	2014	2013
	RMB'000	RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share	40,036	33,182
Change in fair value on redeemable convertible preferred shares	—	—
Change in fair value on warrant and gain on cancellation of warrants	(38,815)	—
Earnings for the purpose of diluted earnings per share	1,221	33,182

10. EARNINGS PER SHARE – continued

	Year ended August 31,	
	2014	**2013**
	'000	**'000**
Numbers of shares:		
Number of ordinary shares for the purpose of basic earnings per share	72,000	72,000
Effect of dilutive potential ordinary shares:		
Warrants	691	—
Share options	706	465
Weighted average number of ordinary shares for the purpose of diluted earnings per share	73,397	72,465

The weighted average number of shares for the purpose of calculating basic earnings per share and diluted earnings per share has not been adjusted for the effect of the capitalization issue as described more fully in Appendix VI to the **[REDACTED]**.

For the years ended August 31, 2014 and 2013, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding redeemable convertible preferred shares since their conversion would result in an increase in the earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants to purchase redeemable convertible preferred shares and the concurrent conversion of such redeemable convertible preferred shares to the ordinary shares since their exercise and conversion would result in an increase in earnings per share for the year ended August 31, 2013.

11. DEFERRED REVENUE

	At August 31,	
	2014	**2013**
	RMB'000	**RMB'000**
Tuition and boarding fees	469,517	381,130
Others	30,714	27,195
	500,231	408,325

12. OTHER PAYABLES AND ACCRUED EXPENSES

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Other tax payables	16,577	13,229
Payables for purchase of property, plant and equipment	56,779	88,588
Miscellaneous expenses received from students (Note)	86,452	50,216
Deposits received from students	16,846	16,083
Accrued payroll	8,087	6,143
Prepayment from lessee	637	663
Accrued operating expenses	211	779
Accrued **[REDACTED]**-related expenses	15,383	—
Accrued interest expenses	465	413
Payable for land use right	3,000	3,000
Other payables	13,711	9,493
	218,148	188,607

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

13. BANK BORROWINGS

	At August 31,	
	2014	2013
	RMB'000	RMB'000
Bank borrowings:		
— Secured	88,500	145,000
— Unsecured	135,000	130,000
	223,500	275,000
Carrying amounts repayable:		
— Within one year	223,500	215,000
— More than one year, but not exceeding two years	—	60,000
	223,500	275,000
Less: Amounts due within one year shown under current liabilities	223,500	215,000
	—	60,000
The exposure of bank borrowings:		
— Fixed rate borrowings	223,500	235,000
— Variable rate borrowings	—	40,000
	223,500	275,000

13. BANK BORROWINGS – continued

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

	Year ended August 31,	
	2014	**2013**
Effective interest rate:		
Variable-rate borrowings	—	6.30% – 6.90%
Fixed rates borrowings	6.00% – 6.90%	6.00% – 7.87%

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

BUSINESS REVIEW

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 and 2012/2013 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.

Educational Philosophy

Our fundamental educational philosophy is to combine the strengths of Chinese and Western education systems to provide our students with a bilingual and bi-cultural education. We embrace both the rigorous preparation and thorough practice that are the focus of the Chinese education system and the creative thinking and innovative teaching methods promoted by the Western education system. We emphasize the importance of solid academic performance in core subject areas such as mathematics, science, languages and history, while at the same time encouraging our students to explore individual interests and nurturing student creativity, communication skills, independent thinking and social responsibility, to enable students to thrive in the future.

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 2012/2013 school year. It enables graduates of our PRC and BC certified high 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.

Our Schools

We operate all of our schools under our "Maple Leaf" brand. An important element of our educational services is a bilingual learning environment. We design our classes according to the specific linguistic needs of the students at each grade level and build their English language skills as they progress from elementary school to middle school, with the aim of achieving English fluency by high school. In addition, as private schools, we have more flexibility in offering courses which are unavailable in public schools in response to popular student or parent demand. These courses, such as calligraphy, dance, debate and music, emphasize creativity, critical thinking and a deeper appreciation of traditional Chinese and Western cultures. We also offer students the opportunity to participate in a variety of after-school programs and club events, including sports and life skills building projects that supplement classroom teaching.

Other Services

We have put in place the following services to encourage and support the success of our students:

- *Summer and winter camps and tours.* We organize English immersion camps in Canada, Australia and the United States for students in grades nine and below. We also offer high school students university tours overseas during the summer and winter breaks.
- *Graduation consulting center.* We assist our high school students with their university and college applications and guide them through the admissions process for overseas post-secondary institutions. We also help our students with the immigration process for overseas studies, and provide services such as obtaining visas, scholarships and off-campus housing.
- *Orca Center.* We offer top students who aim to enroll in leading universities personalized college counseling services and help them obtain offers and financial aid from top universities. We also provide on-campus SAT training and test taker escorting services to our students who are interested in applying universities/colleges in the United States.

PROSPECTS FOR THE FINANCIAL YEAR ENDING AUGUST 31, 2015

We are the largest international school operator in China, as measured by student enrollment at the end of the 2010/2011, 2011/2012 and 2012/2013 school years, according to the Frost & Sullivan Report. We have established a strong presence in Dalian, Tianjin and Wuhan and we believe that our high-quality education and strong reputation have helped us receive local government support while obtaining the requisite licenses and suitable land sites for our campuses. We intend to continue to expand our school network with a particular emphasis on high schools. In cities where we already enjoy a strong market position through established high schools, we plan to leverage our brand and experience by building more schools. In addition, we plan to continue to carry out part of our future expansion plan under an asset-light approach by partnering with third parties to develop new schools, which we believe will enable us to generate high returns on capital. Moreover, we intend to increase the utilization rate of our schools by increasing student enrollment and providing additional programs outside regular school hours. We opened three middle schools, three elementary schools and one preschool in September 2014. We also expect to incur relatively large amount of capital expenditures for the construction of our new campus in Yiwu, Zhejiang in the financial year ending August 31, 2015.

FINANCIAL REVIEW

Adjusted Net Profit

The following table reconciles our adjusted net profit for the years 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

Adjusted EBITDA

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

	Year ended August 31,	
	2014	**2013**
	RMB'000	**RMB'000**
Profit before taxation	48,436	41,225
Interest expense on bank borrowings and banking facilities	15,493	15,554
Depreciation and amortization	44,027	38,332
EBITDA	107,956	95,111
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 EBITDA	172,799	167,272

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.

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

	Year ended August 31,	
	2014	**2013**
	RMB'000	**RMB'000**
Tuition fees		
— High school	288,041	259,205
— Middle school	79,259	68,150
— Elementary school	59,779	37,851
— Foreign national school	14,877	14,376
— Preschool	24,792	26,380
Text books	23,344	17,954
Summer and winter camp	24,832	26,234
Other educational services	25,345	21,069
Total	**540,269**	**471,219**

Our revenue increased by 14.7% from RMB471.2 million for the financial year ended August 31, 2013 to RMB540.3 million for the financial year ended August 31, 2014. This increase was primarily the result of revenue from tuition fees increasing by 15.0% from RMB406.0 million for the financial year ended August 31, 2013 to RMB466.7 million for the financial year ended August 31, 2014, primarily due to an increase in student enrollment. Our student enrollment increased by 15.5% from approximately 11,697 as of the end of the 2012/2013 school year to approximately 13,513 as of the end of the 2013/2014 school year, 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 29.4% from RMB18.0 million for the financial year ended August 31, 2013 to RMB23.3 million for the financial year ended August 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 5.3% from RMB26.2 million for the financial year ended August 31, 2013 to RMB24.8 million for the financial year ended August 31, 2014, primarily due to a decrease in the number of students participating in our winter camps.

Cost of Revenue

Our cost of revenue consists primarily of staff costs, depreciation and amortization, other training expenses and other costs. Staff costs consist of salaries and benefits paid to our teachers and other teaching staff. Depreciation and amortization relate to the depreciation of property, plant and equipment and the amortization of books for lease. Other training expenses relate to travel expenses and other expenses incurred in connection with our 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. The following table sets forth the components of our cost of revenue:

	Year ended August 31,	
	2014	**2013**
	RMB'000	**RMB'000**
Teaching staff costs	185,436	157,207
Depreciation and amortization	34,509	29,577
Other training expenses	25,120	25,757
Other costs	60,083	56,210
Total cost of sales	**305,148**	**268,751**

Cost of revenue increased by 13.5% from RMB268.8 million for the financial year ended August 31, 2013 to RMB305.1 million for the financial year ended August 31, 2014. This increase was primarily the result of an increase in staff costs by 17.9% from RMB157.2 million for the financial year ended August 31, 2013 to RMB185.4 million for the financial year ended August 31, 2014. In particular, the number of teachers increased by 23.6% from approximately 1,036 as of August 31, 2013 to approximately 1,272 as of August 31, 2014. Depreciation and amortization increased by 16.6% from RMB29.6 million for the financial year ended August 31, 2013 to RMB34.5 million for the financial year ended August 31, 2014 as a result of an increase in fixed assets as we completed the construction of certain schools and facilities during the year. Other training expenses remained stable from RMB25.8 million for the financial year ended August 31, 2013 to RMB25.1 million for the financial year ended August 31, 2014. Other costs increased by 6.9% from RMB56.2 million for the financial year ended August 31, 2013 to RMB60.1 million for the financial year ended August 31, 2014 as we made upgrades to various premises and facilities at our existing schools.

Gross Profit

As a result of the foregoing, gross profit increased by 16.1% from RMB202.5 million for the financial year ended August 31, 2013 to RMB235.1 million for the financial year ended August 31, 2014. Our gross margin remained stable from 43.0% for the financial year ended August 31, 2013 to 43.5% for the financial year ended August 31, 2014.

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. Investment and other income increased by 16.3% from RMB4.9 million for the financial year ended August 31, 2013 to RMB5.7 million for the financial year ended August 31, 2014. The increase was primarily attributable to interest income generated from certain financial products we purchased during the year.

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. Other income, gains and losses decreased from a gain of RMB101,000 for the financial year ended August 31, 2013 to a loss of RMB246,000 for the financial year ended August 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 financial year ended August 31, 2013 and we incurred losses from foreign exchange transactions for the financial year ended August 31, 2014.

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. Our marketing expenses increased slightly by 3.8% from RMB20.9 million for the financial year ended August 31, 2013 to RMB21.7 million for the financial year ended August 31, 2014.

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. Our administrative expenses increased by 32.8% from RMB56.1 million for the financial year ended August 31, 2013 to RMB74.5 million for the financial year ended August 31, 2014, primarily because we incurred additional costs for issuing new share options to our employees.

Finance Costs

Finance costs consist primarily of the interest expenses for our bank borrowings and banking facilities. Finance costs remained stable from RMB15.6 million for the financial year ended August 31, 2013 to RMB15.5 million for the financial year ended August 31, 2014, reflecting the interest expense on 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. Other expenses increased from RMB1.5 million for the financial year ended August 31, 2013 to RMB24.1 million for the financial year ended August 31, 2014. The increase was primarily attributable to expenses related to the **[REDACTED]** incurred during the financial year ended August 31, 2014.

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. Losses recognized in our consolidated statements of comprehensive income from change in fair value on redeemable convertible preferred shares increased by 44.1% from RMB63.7 million for the financial year ended August 31, 2013 to RMB91.8 million for the financial year ended August 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.

Loss on Modification of Redeemable Convertible Preferred Shares

In June 2014, we entered into a supplement agreement with the holders of the redeemable convertible preferred shares, under which the Series A Preferred Shares would not be redeemed until December 31, 2015, which affected the fair value of the Preferred Shares. We recognized a RMB3.3 million loss on the modification of redeemable convertible preferred shares.

Change in Fair Value on Warrants/Gain on Cancellation of 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. We recognized a loss of RMB3.7 million in our consolidated statements of comprehensive income from change in fair value on warrants for the financial year ended August 31, 2014, compared to a loss of RMB8.4 million for the financial year ended August 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 Taxation

As a result of the foregoing, we recognized a profit of RMB41.2 million before taxation for the financial year ended August 31, 2013, compared to a profit of RMB48.4 million before taxation for the financial year ended August 31, 2014. Our profit before taxation as a percentage of revenue was 9.0% for the financial year ended August 31, 2014.

Taxation

Our effective tax rate for the financial years ended August 31, 2013 and 2014 was 19.5% and 17.3%, respectively. The fluctuations of our effective tax rates during the years were primarily the result of changes in the fair value on Preferred Shares and changes in the fair value on warrants. Our income tax expense remained stable from RMB8.0 million for the financial year ended August 31, 2013 to RMB8.4 million for the financial year ended August 31, 2014.

Profit for the Year

As a result of the above factors, we recorded a profit of RMB33.2 million for the financial year ended August 31, 2013, as compared to a profit of RMB40.0 million for the year financial year ended August 31, 2014.

NET CURRENT ASSETS AND LIABILITIES

Our net current liabilities decreased significantly from RMB837.6 million as of August 31, 2013 to RMB391.7 million as of August 31, 2014, primarily because we entered into a supplement agreement with the holders of the redeemable convertible preferred shares, under which the Series A Preferred Shares would not be redeemed until December 31, 2015. We recognized net current liabilities as of August 31, 2014 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 school year. 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. 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 for the financial year ended August 31, 2014. 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]**.

We receive most of our tuition fees in August every year, and we believe we can make better use of such cash by making appropriate short-term investments, which generates income without interfering with the operation of our schools. As a result, in July and August 2014, we invested in two investment products with a term of 33 days and 35 days, respectively, the principal of which was guaranteed under the purchase agreements. The investment products were issued in the principal amounts of RMB78 million and RMB80 million by Hankou Bank and Bank of Shanghai, respectively. The portfolios of instruments underlying the investment products might include government debt, financial bonds, People's Bank of China notes, medium-term notes (AAA), bond futures, corporate bonds with high credit ratings, short-term financing notes, bond funds, money market funds, asset-backed securities and interbank loans (in the case of the product issued by Hankou Bank) and investment grade or above bonds, deposits, cash and interbank loans (in the case of the product issued by Bank of Shanghai). While derivative transactions might also be involved when the banks structured the investment portfolios, the investment products were classified as "low risk" by the issuing banks, respectively, and, although they were not formally rated by any credit rating agency, they were both issued and had their principal amounts guaranteed upon held to maturity by licensed PRC banks. As such, we believed that they carried negligible counter-party risk and our maximum downside exposure was the potential loss of any interest on such investments. In September 2014, we received the principal amounts of RMB78 million and RMB80 million and the agreed interest of such investment products in the amounts of RMB297,468.5 and RMB334,554.2 (representing annual rates of return of 4.22% and 4.36%), respectively, in accordance with the purchase agreements. For more information about our internal control and risk management measures regarding investment in investment products, see the section headed "Business — Internal Control over Business Operations — Risk Management" in this **[REDACTED]**.

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 cash flows of capital expenditures for the financial years ended August 31, 2013 and 2014 were RMB239.7 million and RMB113.7 million, respectively. Our capital expenditures for the financial year ended August 31, 2014 were primarily related to constructing and upgrading the school premises on our Tianjin, Wuhan and Zhenjiang campuses and purchasing electronic equipment.

INDEBTEDNESS

Our total outstanding bank borrowings decreased from RMB275.0 million as of August 31, 2013 to RMB223.5 million as of August 31, 2014. As of August 31, 2014, we had RMB186.5 million unutilized banking facilities.

MARKET RISKS

See the subsection headed "Financial Information – Quantitative and Qualitative Disclosure about Market Risks" in this **[REDACTED]** for further discussion.

CODE ON CORPORATE GOVERNANCE PRACTICES

As our Company was not yet **[REDACTED]** on the Hong Kong **[REDACTED]** during the financial year ended August 31, 2014, the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Hong Kong **[REDACTED]** Rules was not applicable to our Company during such period under review. After the **[REDACTED]**, we shall comply with all the code provisions set forth in the Corporate Governance Code, save that Mr. Sherman Jen performs the dual roles of both chairman and Co-CEO. Our Board believes that by vesting the roles of both chairman and Co-CEO in Mr. Sherman Jen, along with the other Co-CEO, Mr. Zhenwan Liu, the Company derives the benefit of ensuring consistent leadership within our Group, which in turn enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

REVIEW OF OUR CONSOLIDATED FINANCIAL INFORMATION

We will establish an audit committee upon **[REDACTED]** in compliance with the Corporate Governance Code. Members of the audit committee have discussed with the management of our Company and reviewed the consolidated financial information of our Company for the financial year ended August 31, 2014 set out in this appendix. The consolidated financial information of our Company has been agreed with our reporting accountants.

PURCHASE, SALES OR REDEMPTION OF OUR COMPANY'S SHARES

As our Company was not yet **[REDACTED]** on the Hong Kong **[REDACTED]** during the financial year ended August 31, 2014, this disclosure requirement is not applicable to our Company.