You should read the following discussion in conjunction with the combined financial statements included in the Accountants' Report and the notes thereto included in Appendix I to this document and the selected historical financial information and operating data included elsewhere in this document. The combined financial statements have been prepared in accordance with IFRS.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Forward-looking Statements" and "Risk Factors" in this document.

During the Track Record Period, we recorded imputed interest income on advances to Cinese Group and other related parties and incurred interest-bearing bank borrowings and interest expenses to fund such advances. We do not expect to recognise such imputed interest income or incur such bank borrowings or interest expenses following the [**REDACTED**]. *Please refer to "– Imputed Interest Income and Related Interest Expenses" below for further details.*

OVERVIEW

We are the largest private education group in South China operating premium primary and secondary schools, as measured by student enrolment as of 1 September 2015, according to the Frost & Sullivan Report. Premium private schools offer higher quality education, more advanced educational facilities and a more satisfying environment to students through higher tuition fees than non-premium or mass market private schools, according to the Frost & Sullivan Report. As of 1 September 2015, we operated five premium private schools with a total student enrolment of 27,644 students.

We initially selected Dongguan, Guangdong province, to begin the development of our school network in 2003 based on its high population density, strategic location within the Pearl River Delta economic zone and rapidly expanding middle class population. In 2013, we expanded our school network to Huizhou, Guangdong province, another densely populated city with robust economic growth. After successfully establishing our presence and reputation in Guangdong province, we began to expand to other cities located in China's major economic zones. In September 2014, our school in Panjin, Liaoning province in the Northeast Three Provinces economic zone commenced operations. We expect our new school in Weifang, Shandong province in the Bohai Economic Rim economic zone to commence operations in September 2016 and to recruit approximately 1,000 students for the 2016/2017 school year. We have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities.

Our educational objectives are "to serve the society with honesty and integrity through our services" and "to cultivate talents with a warm and loving heart" (以誠心服務社會, 以愛心培育人才). As an educational service provider, we believe we are entrusted to nurture the future of our society, and we therefore seek to provide our educational services in a manner consistent with the values and attitudes in which we believe. Our schools have received various awards in Guangdong province and in China, such as "Outstanding Private School in Dongguan" awarded by Dongguan Private Education Association in 2014, "Top 100 Education and Research Institution for Primary and Secondary Education in China" awarded by National Association of Primary and Secondary Education in 2013 and "Featured School for Traditional Sports in Guangdong (track and field)" awarded by the Sports Bureau and Department of Education of Guangdong Province in 2013.

We believe that we have a reputation for providing quality private education and that our brand name is well-known in and beyond the regions where our schools are located. For each of the 2013/2014 and 2014/2015 school years, at least 94.8% of our high school graduates were admitted to universities in China and for the 2013/2014 and 2014/2015 school years, approximately 18.4% and 21.4% of our high school graduates were admitted to First Class Universities in China, respectively. In addition, we provide international programmes for our high school students. Graduates from our international programmes were admitted to reputable universities and colleges overseas. We offer a wide-range of school-based elective courses, including courses for sports, art, music and Chinese culture, in order to facilitate the well-rounded development of our students.

We experienced stable growth during the Track Record Period in terms of student enrolment, teachers employed, revenue and net profit. From the year ended 31 August 2013 to the year ended 31 August 2015, our total revenue increased at a CAGR of approximately 21.1% and our net profit increased at a CAGR of approximately 27.0%, respectively. The table below sets forth certain information with respect to our growth during the Track Record Period.

	As of 1 September			
	2012	2013	2014	2015
Student enrolment	13,947	19,354	22,837	27,644
Number of teachers	808	1,162	1,359	1,666

SELECTED HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information set forth below is derived from the Accountants' Report set out in Appendix I to this document and should be read in conjunction with the Accountants' Report set out in Appendix I to this document, the operating data included elsewhere in this document and "– Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

The following table presents a summary of our combined statements of profit and loss and other comprehensive income for the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2015 and 2016:

Combined Statements of Profit and Loss and Other Comprehensive Income

	Year ended 31 August			Nine months ended 31 May	
	2013	2014	2015	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	320,051	450,913	568,715	435,688	540,579
Cost of revenue	(170,021)	(239,717)	(289,194)	(223,211)	(286,841)
Gross profit	150,030	211,196	279,521	212,477	253,738
Other income	5,891	7,007	6,858	4,985	4,540
Other gains and losses	4,858	176	(1,260)	(1,226)	(6,879)
Selling expenses	(4,409)	(6,289)	(7,513)	(5,767)	(9,972)
Administrative expenses	(48,097)	(72,150)	(76,114)	(56,885)	(75,448)
[**REDACTED**] expenses	–	–	–	–	(18,113)
Finance income	47,510	46,316	117,600	86,423	61,556
Finance costs	(47,875)	(73,987)	(106,750)	(81,819)	(64,201)
Profit before taxation	107,908	112,269	212,342	158,188	145,221
Taxation	(18,868)	(21,360)	(30,045)	(22,317)	(26,295)
Profit and total comprehensive income for the year/period	89,040	90,909	182,297	135,871	118,926
Attributable to:					
Owners of the Company	89,046	90,917	182,305	135,875	118,930
Non-controlling interests	(6)	(8)	(8)	(4)	(4)
	89,040	90,909	182,297	135,871	118,926

The following table presents a summary of our combined statements of financial position as of 31 August 2013, 2014 and 2015 and 31 May 2016:

Combined Statements of Financial Position

	Our Group			
	At 31 August			At 31 May
	2013	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
NON-CURRENT ASSETS				
Property, plant and equipment	610,310	925,194	1,006,912	1,193,190
Prepaid lease payments	206,113	218,308	213,055	209,276
Investment properties	16,900	17,500	18,100	18,300
Amounts due from related parties	97,312	1,074,930	99,220	–
Deposits	76,447	90,271	95,380	18,753
Deferred tax assets	651	666	677	797
Prepayments for construction to a related company	–	–	–	240,000
	1,007,733	2,326,869	1,433,344	1,680,316
CURRENT ASSETS				
Inventories – goods for sale	1,110	1,591	1,978	5,361
Deposits, prepayments and other receivables	18,645	51,952	25,761	27,825
Amounts due from related parties	725,363	287,537	1,486,418	1,271,381
Prepaid lease payments	4,962	5,253	5,253	5,323
Bank balances and cash	33,908	13,071	12,229	128,491
	783,988	359,404	1,531,639	1,438,381
CURRENT LIABILITIES				
Deferred revenue	178,290	224,817	285,146	211.930
Trade payables	8,355	14,362	25,185	42,477
Other payables and accrued expenses	171,344	286,552	203,971	173,807
Amounts due to related parties	346,597	336,908	432,838	908,649
Income tax payable	19,404	38,583	61,210	81,410
Borrowings	15,000	141,362	537,849	198,549
	738,990	1,042,584	1,546,199	1,616,822
NET CURRENT ASSETS (LIABILITIES)	44,998	(683,180)	(14,560)	(178,441)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,052,731	1,643,689	1,418,784	1,501,875
CAPITAL AND RESERVES				
Combined share capital/paid-in capital	83,400	83,400	83,400	83,400
Reserves	446,537	427,232	592,076	711,938
Equity attributable to owners of the Company	529,937	510,632	675,476	795,338
Non-controlling interests	(209)	(217)	(225)	–
	529,728	510,415	675,251	795,338
NON-CURRENT LIABILITIES				
Borrowings	520,000	1,128,638	737,651	698,151
Deferred tax liabilities	3,003	4,636	5,882	8,386
	523,003	1,133,274	743,533	706,537
	1,052,731	1,643,689	1,418,784	1,501,875

The following table sets forth a summary of our combined statements of cash flows for the years ended 31 August 2013, 2014 and 2015, and the nine months ended 31 May 2016:

Combined Statements of Cash Flow

	Year ended 31 August			Nine months ended 31 May
	2013	**2014**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net cash from operating activities	165,634	241,100	319,148	182,329
Net cash used in investing activities	(244,692)	(909,972)	(308,769)	(60,195)
Net cash from (used in) financing activities	68,186	648,035	(11,221)	(5,872)
(Decrease) Increase in Cash and Cash Equivalents	(10,872)	(20,837)	(842)	116,262
Cash and cash equivalents at beginning of the year/period	44,780	33,908	13,071	12,229
Cash and cash equivalents at the end of the year/period	33,908	13,071	12,229	128,491

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

You should read the following discussion and analysis in conjunction with the Accountants' Report set out in Appendix I to this document and the operating data included elsewhere in this document.

BASIS OF PRESENTATION

Due to regulatory restrictions on foreign ownership of our schools in China, we conduct a substantial portion of our business through our Consolidated Affiliated Entities. We do not hold any equity interests in our Consolidated Affiliated Entities. A wholly-owned subsidiary of our Company, Dongguan Ruixing, has entered into Contractual Arrangements with Guangdong Guangzheng and its equity holders, which became effective on 1 July 2016. As a result of the Contractual Arrangements, we effectively control our Consolidated Affiliated Entities and are able to receive substantially all of their economic interest returns. Consequently, we regard the Consolidated Affiliated Entities as indirect subsidiaries. We have combined the financial position and results of the Consolidated Affiliated Entities into our financial statements during the Track Record Period. Please refer to "Contractual Arrangements" of this document and the significant accounting policies set out in the Accountants' Report included in Appendix I to this document for further details.

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:

Demand for Private Education in China

Our business has benefited from the increasing demand for private education in China. Demand for private education in China is a function of a number of factors, including the level of economic development and changes in demographics. The overall economic growth and the increase in per capita disposable income have increased the level of per capita expenditure of urban households on education services in China, which increased at a CAGR of 7.1% from 2012 to 2015, according to the Frost & Sullivan Report. In addition, demand for private education has increased along with the growth in urban population in China. According to the Frost & Sullivan Report, the total number of students enrolled in the PRC private primary and secondary schools increased from 12.8 million in 2012 to 14.7 million in 2015, representing a CAGR of approximately 4.7%. From the year ended 31 August 2013 to the year ended 31 August 2015, our total revenue increased at a CAGR of approximately 21.1%. China's family planning policy was further relaxed in October 2015, and the related laws and regulations are expected to be further amended accordingly to allow almost all families to have two children, which may lead to a faster growth rate in urban populations in China, according to the Frost & Sullivan Report. Therefore, we anticipate the demand for high quality private education in China to continue to increase.

We are strategically expanding our school network to capitalise on the increasing demand for private education in China. As of the Latest Practicable Date, we had established schools in three of the five major economic zones, namely, the Pearl River Delta economic zone, the Northeast Three Provinces economic zone and the Bohai Economic Rim economic zone. As one of our development strategies, we intend to continue to strengthen our leading position in the Pearl River Delta economic zone with a focus on Guangdong province and intend to expand into the West Delta economic zone. We have entered into cooperation agreements with the local government of Guang'an, Sichuan province and the local government of Yunfu, Guangdong province, respectively, to establish a new school in each of these cities. We also intend to engage in discussions with the local government authorities of various cities in Guangdong, Shandong and Sichuan provinces to explore the possibility of establishing a new school in each city. In addition, we entered into a memorandum of understanding with Dewey College with respect to the parties' potential cooperation on the development of a new school overseas. Please refer to "Business – Development of New Schools" of this document for further details.

Student Enrolment Levels

Our revenue largely depends on the number of students enrolled in our schools, which affects the amount of tuition fees, boarding fees and fees from ancillary services we collect from our students. As of 1 September 2012, 2013, 2014 and 2015, the total number of students enrolled in our schools amounted to approximately 13,947, 19,354, 22,837 and 27,644, respectively, growing a CAGR of 18.7% from 2012 to 2015. Our student enrolment level depends on a number of factors, in particular, the reputation of our schools, which is mainly driven by the quality of education we provide, our tuition levels and our capacity. The quality of education we provide is mainly reflected by the placement of our graduates, the well-rounded development of our students, the curriculum offered at our schools and our school facilities. We believe our proven track record in these aspects will continue to help us attract students who seek premium private education. Moreover, the quality of our teachers is also a major factor that has in the past played, and will continue to play, an important role in the success of our schools. Accordingly, we provide competitive compensation to attract and retain high quality teachers, maintain continuous training programmes and enforce stringent teacher evaluation systems to maintain and improve our teachers' performances, which we believe will have a positive impact on student enrolment levels at our schools.

Tuition and Boarding Fees

Our results of operations are affected by the level of tuition and boarding fees we charge. We charged tuition and boarding fees ranging between RMB14,200 and RMB21,200 per student for the 2012/2013 school year, between RMB14,200 and RMB21,200 per student for the 2013/2014 school year, between RMB13,000 and RMB25,200 per student for the 2014/2015 and between RMB13,000 and RMB25,200 for the 2015/2016 school years for our PRC curriculum programmes. For our international programmes, we charged tuition and boarding fees ranging between RMB36,200 and RMB92,600 per student for the 2012/2013, 2013/2014, 2014/2015 and 2015/2016 school years.

During the Track Record Period, the tuition and boarding fees we charge per school year increased from RMB21,000-RMB21,400 to RMB23,200 per middle school student and from RMB23,000-RMB23,100 to RMB25,200 per high school student for newly admitted students of Dongguan Guangming School, and the tuition and boarding fees we charge per school year increased from RMB15,000 to RMB16,000-RMB18,000 per primary school student, from RMB17,000 to RMB18,000-RMB19,400 per middle school student and from RMB17,600 to RMB20,400-RMB20,400 per high school student at Dongguan Guangzheng Preparatory School.

There are two school terms in each school year. We usually require students to pay tuition and boarding fees prior to the commencement of each school term. The tuition and boarding fees we charge are typically based on the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our schools are located. While we have successfully increased tuition and boarding rates at certain of our schools during the Track Record Period, there is no guarantee we will be able to continue to raise tuition and boarding fees. Please refer to "Risk Factors – Risks Relating to Our Business and Our Industry – Our business depends on our ability to maintain or raise tuition and boarding fee levels we charge at our schools" of this document for further details. For those students who are unable to complete a school term, we have refund policies in place. We also offer partial tuition fee waiver to a certain percentage of our middle and high school students and discounted tuition fee rates to children of our teachers and staff who enrol in our schools. Please refer to "Business – Our Schools – Tuition and Boarding Fees" of this document for further details.

According to the Frost & Sullivan report, tuition rates at our schools are higher than those in the public school system in China. Historically, we have kept our tuition and boarding fees at levels we believe are competitive as compared to our competitors in order to attract more students and thereby, increase our student enrolment and market share. During the Track Record Period, even though we increased our tuition rates on several occasions for certain of our schools, we believe such increases did not adversely impact our reputation or affect our student enrolment.

Utilisation Rate of Our Facilities

In addition to student enrolment and tuition and boarding fees, the utilisation rate of our school facilities may also affect our revenue, gross margin and growth capacity. We incur a substantial amount of fixed costs in relation to the operation of our business each year. If we are able to increase the utilisation rate of our facilities, especially the utilisation rate of our schools that were established relatively recently, we expect to improve our gross margin. As of 1 September 2012, 2013, 2014 and 2015, we had an overall facility utilisation rate of approximately 91.4%, 83.7%, 89.0% and 90.5%, respectively, based on an aggregate capacity of 15,252, 23,128, 25,719 and 30,552, respectively, for all of our schools. The table below sets forth the utilisation rate of each of our existing schools as of the dates indicated:

School	School Utilisation Rate (%)(1) as of 1 September			
	2012(2)	2013(3)	2014(4)	2015(5)
Dongguan Guangming School	97.6	99.5	99.5	98.9
Dongguan Guangming Primary School	76.6	89.9	93.3	98.3
Dongguan Guangzheng Preparatory School	–	62.0	81.5	85.9
Huizhou Guangzheng Preparatory School	–	27.1	61.7	72.2
Panjin Guangzheng Preparatory School	–	–	48.7	68.7
Total	91.4	83.7	89.0	90.5

Notes:

(1) School utilisation rate is calculated by dividing the number of students enrolled at a school by the capacity for students of the school. Capacity for students of a school is calculated based on the approximate number of beds available in student dormitories according to the internal records and calculations of the school. Please refer to "Business – Our Schools – Student Numbers" of this document for further details. Although we have calculated our schools' respective capacity based on the number of beds available, we believe the facilities at certain of our schools may accommodate additional beds without material capital expenditure (subject to the receipt of necessary approvals).

(2) Represents the beginning of 2012/2013 school year.

(3) Represents the beginning of 2013/2014 school year.

(4) Represents the beginning of 2014/2015 school year.

(5) Represents the beginning of 2015/2016 school year.

Utilisation rate of our schools that were established more recently is relatively lower because most students enrol from first grade, and student enrolment in our new schools will gradually increase as students progress into higher grades. It usually takes a few years for a new school to increase its utilisation rate to high levels, which is affected by various factors, including market condition, pricing and the reputation of our schools, as well as competition in the relevant market. Our results of operations are affected by the amount of time our new schools take to increase their utilisation rate to a relatively high level. We added two new schools to our school network as at 1 September 2013, namely, Dongguan Guangzheng Preparatory School, which was acquired in August 2013, and Huizhou Guangzheng Preparatory School, which commenced operations in September 2013. As a result, our overall utilisation rate decreased from 91.4% as of 1 September 2012 to 83.7% as of 1 September 2013. Our overall utilisation rate increased from 83.7% as of 1 September 2013 to 89.0% as of 1 September 2014 mainly due to increased student enrolment in Dongguan Guangzheng

Preparatory School and Panjin Guangzheng Preparatory School as they entered into the second school year operated by us. As part of our strategy, we intend to continue to expand our existing schools and establish new schools to increase our capacity. Please refer to "Business – Development of New Schools" of this document for further details.

Teachers' Salaries

Our profitability also depends on our ability to effectively control our costs. A significant component of our cost of revenue is staff costs, which primarily consist of salaries and other benefits for our teachers. We offer competitive remuneration to our teachers in order to attract and retain high-quality teachers and maintain and improve the teaching quality of our schools. For the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016, salaries and other benefits for our teachers represented 27.7%, 28.4%, 27.0%, and 27.1% of our revenue, and 52.2%, 53.5%, 53.1% and 51.2% of our cost of revenue, respectively. Our staff costs increased during the Track Record Period as a result of increased number of teachers employed by us, as well as an increase in compensation levels. We employed approximately 808, 1,162, 1,359 and 1,666 teachers for our schools as of 1 September 2012, 2013, 2014 and 2015, respectively. In March 2015, we increased teachers' salaries at Dongguan Guangming School and Dongguan Guangming Primary School, as part of our strategy to maintain and attract high-quality teachers. As we continue to expand our school network and increase the capacity of our existing schools, we will need to recruit more teachers. We may also need to increase teachers' salaries and other benefits from time to time to stay competitive in the labour market. As a result, our staff costs as a percentage of revenue may increase. If we are unable to effectively manage any such increase, our profitability and results of operations may be adversely affected. Please refer to "Risk Factors – Our business depends on our ability to recruit and retain qualified and committed teachers and other school personnel" of this document for further details.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our combined financial statements are prepared in accordance with the significant accounting policies set out in the Accountants' Report included in Appendix I to this document. We set forth below certain information with respect to those accounting policies which we believe are of critical importance to us or involve the most critical accounting estimates and judgments used in the preparation of our combined financial statements. Our estimates are based on our historical experience and other factors that we consider to be relevant and are reviewed on an on-going basis. However, our actual results may differ from these estimates. We have not changed our material assumptions or estimates in the past and have not noticed any material error regarding our assumptions or estimates. Our significant accounting policies and our accounting policies requiring critical accounting judgment or providing key sources of estimation uncertainty are set forth in note 3 and 4 of the Accountants' Report in Appendix I to this document.

Revenue Recognition

We measure revenue at the fair value of the consideration we receive or is receivable by us. Our revenue is reduced for estimated returns, discounts, and sales related tax. Our revenue consists of tuition fees, boarding fees and revenue from ancillary services. Our tuition and boarding fees are generally paid in advance at the beginning of each school semester, and we initially record such these payments as deferred revenue. We then recognise tuition and boarding fees as revenue proportionately over the relevant period of the applicable programme. We typically refund 90% of the tuition fees paid if a student withdraws before the school semester starts, 70% if the student withdraws after the school term starts but before the end of the first calendar month of the school term, 50% if the student withdraws after the first calendar month and prior to the end of the second calendar month of the school term, and 30% if the student withdraws after the end of the second calendar month and prior to the end of the third calendar month of the school term. We do not offer refund of tuition fees paid if the student withdraws after the end of the third month of the school term.

Revenue from ancillary services is recognised when the goods are delivered and services are provided to the students and the students have made payments for the relevant services.

Property, Plant and Equipment

Our property, plant and equipment, other than construction in progress, including our schools and administrative offices in use, are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. We recognise depreciation on property, plant and equipment in use using the straight-line method so as to write off the cost of items of property, plant and equipment to their estimated residual values over their estimated useful lives. We review the estimated useful lives, residual values and depreciation method at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Our estimates of useful lives are based on our experience of the actual useful lives of property, plant and equipment of similar nature and functions. We increase the depreciation charge where useful lives are estimated to be shorter than previously estimated.

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

We also assess our property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable and write-off or write-down obsolete assets that have been abandoned or impaired. We did not have material instances of impairment to plant, property and equipment due to obsolesce or otherwise during the Track Record Period.

As at 31 August 2013, 2014 and 2015 and 31 May 2016, the carrying amount of property, plant and equipment were RMB610.3 million, RMB925.2 million, RMB1,006.9 million and RMB1,193.2 million, respectively. Any change in our estimates with respect to the useful lives, residual values or value in use of our property, plant or equipment may have a material impact on our results of operations.

Accounting Judgments

In the process of applying our accounting policies, our Directors have made the following critical judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the combined financial statements and related notes:

Contractual Arrangements

We conduct a substantial portion of our business through the Consolidated Affiliated Entities in China due to regulatory restrictions on foreign ownership in our schools in the PRC. Although we do not have any equity interest in the Consolidated Affiliated Entities, our Directors concluded that we have control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and other measures, as we have the power over the Consolidated Affiliated Entities, have rights to variable returns from our involvement with the Consolidated Affiliated Entities and have the ability to affect those returns through our power over the Consolidated Affiliated Entities. Accordingly, we have combined the financial information of our Consolidated Affiliated Entities during the Track Record Period in the combined financial statements.

RESULTS OF OPERATIONS

The following table presents our summary combined statements of profit or loss and other comprehensive income for the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2015 and 2016:

	Year ended 31 August			Nine months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Revenue	320,051	450,913	568,715	435,688	540,579
Cost of revenue	(170,021)	(239,717)	(289,194)	(223,211)	(286,841)
Gross profit	150,030	211,196	279,521	212,477	253,738
Other income	5,891	7,007	6,858	4,985	4,540
Other gains and losses	4,858	176	(1,260)	(1,226)	(6,879)
Selling expenses	(4,409)	(6,289)	(7,513)	(5,767)	(9,972)
Administrative expenses	(48,097)	(72,150)	(76,114)	(56,885)	(75,448)
[**REDACTED**] expenses	–	–	–	–	(18,113)
Finance income	47,510	46,316	117,600	86,423	61,556
Finance costs	(47,875)	(73,987)	(106,750)	(81,819)	(64,201)
Profit before taxation	107,908	112,269	212,342	158,188	145,221
Taxation	(18,868)	(21,360)	(30,045)	(22,317)	(26,295)
Profit and total comprehensive income for the year/period	89,040	90,909	182,297	135,871	118,926

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We derive revenue from tuition fees and boarding fees collected from our students and from ancillary services provided to our students. The table below sets forth the revenue generated from tuition fees, boarding fees and ancillary services, by amount and as a percentage of our total revenue, for the periods indicated:

	Year ended 31 August						Nine months ended 31 May			
	2013		**2014**		**2015**		**2015**		**2016**	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)* (Unaudited)	*%*	*(RMB'000)*	*%*
Revenue										
Tuition fees	222,937	69.6%	315,211	69.9%	391,685	68.9%	292,544	67.1%	368,154	68.1%
Boarding fees	26,140	8.2%	36,439	8.1%	50,539	8.9%	37,824	8.7%	45,386	8.4%
Ancillary services	70,974	22.2%	99,263	22.0%	126,491	22.2%	105,320	24.2%	127,039	23.5%
Total	320,051	100%	450,913	100%	568,715	100%	435,688	100%	540,579	100%

The table below sets forth the revenue generated from each school for the periods indicated, by amount and as a percentage of our total revenue:

	Year ended 31 August						Nine months ended 31 May			
	2013		2014		2015		2015		2016	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (Unaudited)	%	(RMB'000)	%
Revenue										
Dongguan Guangming School										
Tuition fees	170,735	53.3%	181,521	40.2%	187,559	33.0%	139,696	32.0%	147,295	27.3%
Boarding fees	18,652	5.8%	19,202	4.3%	22,078	3.9%	16,528	3.8%	16,793	3.1%
Ancillary services[1]	70,974	22.2%	78,784	17.5%	89,889	15.8%	74,059	17.0%	79,166	14.6%
	260,361	81.3%	279,507	62.0%	299,526	52.7%	230,283	52.8%	243,254	45.0%
Dongguan Guangming Primary School										
Tuition fees	52,202	16.3%	68,240	15.1%	83,607	14.7%	62,801	14.4%	75,402	14.0%
Boarding fees	7,488	2.4%	9,531	2.1%	13,129	2.3%	9,827	2.3%	11,375	2.1%
Ancillary services[1]	–	–%	–	–%	–	–%	–	–%	–	–%
	59,690	18.7%	77,771	17.2%	96,736	17.0%	72,628	16.7%	86,777	16.1%
Dongguan Guangzheng Preparatory School										
Tuition fees	–	–%	63,194	14.0%	97,423	17.1%	73,016	16.8%	104,575	19.4%
Boarding fees	–	–%	7,515	1.7%	12,534	2.2%	9,405	2.2%	12,490	2.3%
Ancillary services	–	–%	19,692	4.4%	29,909	5.3%	25,901	5.9%	34,053	6.3%
	–	–%	90,401	20.1%	139,866	24.6%	108,322	24.9%	151,118	28.0%
Huizhou Guangzheng Preparatory School										
Tuition fees	–	–%	2,256	0.5%	18,929	3.4%	14,039	3.2%	31,191	5.8%
Boarding fees	–	–%	191	0.0%	2,465	0.4%	1,824	0.4%	3,978	0.7%
Ancillary services	–	–%	787	0.2%	5,903	1.0%	4,904	1.1%	10,493	1.9%
	–	–%	3,234	0.7%	27,297	4.8%	20,767	4.7%	45,662	8.4%
Panjin Guangzheng Preparatory School										
Tuition fees	–	–%	–	–%	4,167	0.7%	2,992	0.7%	9,691	1.8%
Boarding fees	–	–%	–	–%	333	0.1%	240	0.1%	750	0.1%
Ancillary services	–	–%	–	–%	790	0.1%	456	0.1%	3,327	0.6%
	–	–%	–	–%	5,290	0.9%	3,688	0.9%	13,768	2.5%
Total	320,051	100%	450,913	100%	568,715	100%	435,688	100%	540,579	100%

Note:

(1) During the Track Record Period, ancillary services for Dongguan Guangming Primary School were provided through the facilities of Dongguan Guangming School and revenue from ancillary services for Dongguan Guangming Primary School was recognised as revenue from ancillary services attributable to Dongguan Guangming School.

Tuition fees consist of the amount we charge our students for the educational services provided, such as curriculum and teaching materials, at our schools. Boarding fees consist of the amount we charge our students for staying at our on-campus dormitories. Ancillary services mainly include services provided at our on-campus canteens and medical rooms.

Cost of Revenue

Our cost of revenue primarily consists of (i) staff costs, which primarily consist of salaries and other benefits for our teachers, (ii) cost of goods sold for ancillary services, which primarily consist of cost of goods sold at our on-campus canteens, (iii) depreciation and amortisation on property, plant and equipment and land and buildings used by our schools, (iv) utilities and maintenance costs for our schools and (v) education expenses, which primarily consist of expenses related to educational activities, including teaching material expenses, scholarships and student activity expenses. The following table sets forth the components of our cost of revenue, by amount and as a percentage of revenue, for the periods indicated.

	Year ended 31 August						Nine months ended 31 May			
	2013		**2014**		**2015**		**2015**		**2016**	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)* (Unaudited)	*%*	*(RMB'000)*	*%*
Staff costs	88,737	27.7%	128,260	28.4%	153,633	27.0%	115,428	26.5%	146,755	27.1%
Cost of goods sold for ancillary services	32,918	10.3%	47,432	10.5%	57,549	10.1%	49,637	11.4%	66,405	12.3%
Depreciation and amortisation	18,623	5.8%	28,869	6.4%	38,894	6.8%	27,888	6.4%	35,170	6.5%
Utilities and maintenance	15,911	5.0%	21,776	4.8%	22,775	4.0%	20,101	4.6%	20,803	3.8%
Education expenses	13,832	4.3%	13,380	3.0%	16,343	2.9%	10,157	2.3%	17,708	3.3%
Total cost of revenue	170,021	53.1%	239,717	53.1%	289,194	50.8%	223,211	51.2%	286,841	53.0%

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of our staff costs during the Track Record Period, assuming no change of any other costs. The sensitivity analysis is hypothetical in nature and we assume that all other variables remained constant. The following sensitivity analysis is for illustrative purposes only, which indicates the likely impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit for the year/period with a 5% and 10% increase or decrease in tuition fees income and staff costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and staff costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and staff costs presents a meaningful analysis of the potential impact of changes in the tuition fees and staff costs on our revenue and profitability.

	Year ended 31 August			**Nine months ended 31 May**	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Sensitivity analysis of tuition fees					
Tuition fee income (decrease)/increase	**Impact to our profit for the year/period**				
(10)%	(16,720)	(23,641)	(29,376)	(21,941)	(27,612)
(5)%	(8,360)	(11,820)	(14,688)	(10,970)	(13,806)
5%	8,360	11,820	14,688	10,970	13,806
10%	16,720	23,641	29,376	21,941	27,612
Sensitivity analysis of staff costs					
Staff costs (decrease)/increase	**Impact to our profit for the year/period**				
(10)%	6,655	9,620	11,522	8,657	11,007
(5)%	3,328	4,810	5,761	4,329	5,503
5%	(3,328)	(4,810)	(5,761)	(4,329)	(5,503)
10%	(6,655)	(9,620)	(11,522)	(8,657)	(11,007)

Other Income

Investment and other income primarily consist of (i) rental income from investment properties, (ii) government grants, which primarily consists of discretionary subsidies we received from the PRC government authorities for organising school activities and outstanding academic performance of our schools, (iii) donations, (iv) staff quarter income, which consists of rental income from the staff quarters provided to our teachers and other staff and (v) other income, which primarily consists of rebates from suppliers.

Other Gains and Losses

Other gains and losses primarily consist of (i) net losses recognised upon the disposal of property, plant and equipment, (ii) gains arising from change in fair value of investment properties, (iii) gains arising from bargain purchase from our acquisition of Dongguan Guangzheng Preparatory School, (iv) penalties and late surcharges, which consist of the late payment surcharge imposed by tax authorities and a penalty imposed by a government authority in Panjin on Panjin Guangzheng for violating the relevant PRC laws and regulations. Please refer to "– Taxation" below for further details, (v) losses recognised upon the disposal of Dongguan Guangzheng Pharmaceutical and Nantong Guangzheng Property and (vi) other gains and losses.

Selling Expenses

Selling expenses primarily consist of (i) advertising expenses, which primarily comprise expenses for advertising our schools in newspapers and other media and public relations expenses, (ii) salaries for our marketing staff and (iii) other marketing expenses, which primarily comprise student recruitment bonuses, travelling expenses and miscellaneous expenses relating to student recruitment and the marketing of our schools. The table below summarises our selling expenses, by amount and as a percentage of revenue, for the periods indicated.

	Year ended 31 August						Nine months ended 31 May			
	2013		2014		2015		2015		2016	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Advertising expenses	3,364	1.1%	4,979	1.1%	6,274	1.1%	4,928	1.1%	6,800	1.3%
Salaries for marketing staff	111	0.0%	267	0.1%	176	0.0%	156	0.0%	181	0.0%
Other marketing expenses	934	0.3%	1,043	0.2%	1,063	0.2%	683	0.2%	2,991	0.5%
Total selling expenses	4,409	1.4%	6,289	1.4%	7,513	1.3%	5,767	1.3%	9,972	1.8%

Administrative Expenses

Administrative expenses primarily consist of (i) salaries and other benefits for general and administrative staff, (ii) rental expenses, (iii) depreciation of office buildings and equipment, (iv) office expenses, (v) travel expenses, (vi) entertainment expenses and (vii) other expenses, which mainly consist of environmental greening expenses, legal and professional fees and other miscellaneous administrative expenses. The table below summarises our administrative expenses, by amount and as a percentage of revenue, for the periods indicated.

	Year ended 31 August						Nine months ended 31 May			
	2013		2014		2015		2015		2016	
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* (Unaudited)	%	*(RMB'000)*	%
Salaries and other benefits	33,012	10.3%	49,211	10.9%	50,119	8.8%	38,116	8.7%	47,533	8.8%
Rental expenses	3,221	1.0%	6,903	1.5%	8,303	1.5%	5,933	1.4%	10,930	2.0%
Depreciation of office buildings and equipment	2,723	0.8%	5,401	1.2%	7,396	1.3%	4,838	1.1%	9,435	1.8%
Office expenses	3,174	1.0%	2,904	0.7%	2,817	0.5%	1,988	0.5%	2,930	0.5%
Travel expenses	656	0.2%	1,065	0.2%	1,165	0.2%	749	0.2%	848	0.2%
Entertainment expenses	2,801	0.9%	869	0.2%	974	0.2%	701	0.2%	893	0.2%
Other expenses	2,510	0.8%	5,797	1.3%	5,340	0.9%	4,560	1.0%	2,879	0.5%
Total administrative expenses	48,097	15.0%	72,150	16.0%	76,114	13.4%	56,885	13.1%	75,448	14.0%

[REDACTED] Expenses

[**REDACTED**] expenses consists of expenses incurred in relation to [**REDACTED**]. We did not incur any [**REDACTED**] expenses for the years ended 31 August 2013, 2014 and 2015 and incurred [**REDACTED**] expenses of RMB18.1 million for the nine months ended 31 May 2016 in relation to the preparation for [**REDACTED**].

Finance Income

Finance income consists of (i) imputed interest income on advances to Cinese Group; (ii) imputed interest income on advances to other related parties; (iii) interest income from deposits paid to a local government to secure a school building project; and (iv) interest income from bank deposits. The table below sets forth the components of our finance income for the periods indicated.

	Year ended 31 August			Nine months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Imputed interest income on advances to Cinese Group[1]	39,579	34,923	101,074	73,843	61,412
Imputed interest income on advances to other related parties[1]	4,869	7,298	11,328	8,496	–
Interest income from deposits paid for a school building project	2,920	3,824	5,109	4,018	–
Bank interest income	142	271	89	66	144
	47,510	46,316	117,600	86,243	61,556

Note:

(1) The amount of the advances to Cinese Group and other related parties was measured at its fair value at initial recognition based on the best estimate of the expected repayments by Cinese Group and other related parties at the time of recognising the amount due from Cinese Group and other related parties. The differences between the amount due from Cinese Group and other related parties and the fair value at initial recognition were recognised in equity as deemed distribution to equity holders, and the amount due from Cinese Group and other related parties was then carried at amortised cost using the effective interest method. Subsequently, if we revise our estimate of the expected repayments by Cinese Group and other related parties, the carrying amount of such amount due from Cinese Group and other related parties will be adjusted to reflect the actual and revised estimated cash flow. The adjustments were also recognised in equity as deemed distribution to equity holders. Due to the nature of the imputed interest income as a hypothetical income under IFRS, it had no cash inflow during the Track Record Period. We expect to settle all amounts due to and from our related parties prior to [**REDACTED**]. Please refer to "-Imputed Interest Income and Related Interest Expenses" below for further details.

Finance Costs

Finance costs consist of the interest expenses for our bank and other borrowings less interest capitalized in the cost of property, plant and equipment. The table below sets forth the components of our finance costs for the periods indicated.

	Year ended 31 August			Nine months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Interest expense on bank and other borrowings					
– wholly repayable within 5 years	51,194	67,465	86,124	63,597	55,617
– not wholly repayable within 5 years	–	11,574	23,752	20,740	17,477
Less: amounts capitalised in the cost of property, plant and equipment	(3,319)	(5,052)	(3,126)	(2,518)	(8,893)
	47,875	73,987	106,750	81,819	64,201

Taxation

Our income tax comprises current and deferred tax.

Our Company was incorporated in the Cayman Islands and is tax exempted under the tax laws of Cayman Islands as no business is carried out in Cayman Islands. Our wholly owned subsidiary, Bright Education BVI, was incorporated in the BVI and is tax exempted under the tax laws of BVI as no business is carried out in BVI.

Our wholly owned subsidiary in Hong Kong, Bright Education HK, is subject to profits tax under the tax laws of Hong Kong. However, no provision for Hong Kong profits tax has been made as our operations in Hong Kong had no assessable profit during the Track Record Period.

Our subsidiaries and Consolidated Affiliated Entities in the PRC are subject to EIT of 25%. We made provisions in respect of EIT during the Track Record Period in the amount of RMB88.2 million. In July and August 2016, our relevant PRC entities made re-filings with the relevant tax authorities with respect to EIT, business tax and VAT payable for the calendar years 2013, 2014 and 2015. As of the Latest Practicable Date, such PRC entities had already paid the tax based on the aforesaid re-filings, the amount of which is lower than the aforesaid provision, and had also paid the late payment surcharge in the total amount of RMB4.8 million to the relevant tax authorities. As at the Latest Practicable Date, save for the aforesaid late payment surcharge which had been fully paid, no administrative action, fine or penalty had been imposed by the relevant tax authorities with respect to the aforesaid matters, nor had we been required to pay any underpaid amounts. Subsequent to the aforesaid re-filings and payment, our PRC entities have also obtained written confirmation from the relevant tax authorities confirming that we have made tax payments and that they have not found incidents of material violation of the relevant tax laws and regulations. We expect that the effect of such payment will be reflected in our financial results for the year ending 31 August 2016.

During the Track Record Period, we did not enjoy any preferential tax treatment and were not involved in any material tax dispute with respect to our income tax.

Please refer to "Risk Factor – The tax provision we made may not be sufficient to cover the PRC taxes and/or penalties that the PRC tax authorities may require us to pay" of this document for further details about the risks and uncertainties associated with our underpayment of taxes.

Imputed Interest Income and Related Interest Expenses

During the Track Record Period, we made advances to Cinese Group and other related parties. These advances were non-trade in nature and non-interest bearing. For each reporting period during the Track Record Period, we recognised imputed interest income on certain portion of such advances under IFRS. However, such imputed interest income is only a hypothetical income under IFRS and had no cash inflow during the Track Record Period. During the Track Record Period, we primarily funded these advances to Cinese Group and other related parties through interest-bearing bank borrowings and a substantial portion of our bank borrowings during the Track Record Period related to such advances. As a result, a substantial portion of our interest expenses on bank and other borrowings during the Track Record Period related to advances on which we recognised imputed interest income. We are settling the amounts due to and from related parties and expect to settle all amounts due to and from related parties, including our advances to Cinese Group and other related parties, prior to [**REDACTED**]. As a result, we do not expect to continue to recognise imputed interest income on advances to related parties following the [**REDACTED**]. Because we will no longer be funding such advances through bank borrowings, we also expect a corresponding reduction in interest expenses on bank borrowings following the [**REDACTED**].

The aggregate carrying amounts of our advances to Cinese Group and other related parties on which we recognised imputed interest income were RMB565.7 million, RMB1,165.4 million, RMB1,163.0 million and RMB869.7 million as of 31 August 2013, 2014 and 2015 and 31 May 2016, respectively. Our imputed interest income was RMB44.4 million, RMB42.2 million, RMB112.4 million and RMB61.4 million for the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016, respectively.

Our bank and other borrowings were RMB535.0 million, RMB1,270.0 million, RMB1,275.5 million and RMB896.7 million as of 31 August 2013, 2014 and 2015 and 31 May 2016, respectively. Our interest expenses on bank and other borrowings were RMB51.2 million, RMB79.0 million, RMB109.9 million and RMB73.1 million for the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016, respectively.

In addition, we had amounts due to related parties that are non-trade in nature, unsecured, non-interest bearing and repayable on demand, which amounted to RMB344.2 million, RMB333.3 million, RMB426.9 million and RMB886.6 million, respectively, as of 31 August 2013, 2014 and 2015 and 31 May 2016.

For further details about the imputed interest income on advances to Cinese Group and other related parties, please refer to "– Finance Income" above and "– Related Party Transactions and Balances" below. Save as disclosed above, our Directors confirm that there are no other material non-trade factors that would affect our financial statements during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended 31 May 2016 Compared to Nine Months Ended 31 May 2015

Revenue

Our revenue increased by 24.1% from RMB435.7 million for the nine months ended 31 May 2015 to RMB540.6 million for the nine months ended 31 May 2016, primarily as a result of increased student enrolment, which resulted in an increase in tuition and boarding fees, as well as an increase in revenue from ancillary services. Student enrolment in our schools increased by 21.0% from 22,837 as of 1 September 2014 to 27,644 as of 1 September 2015, the beginning of the 2014/2015 and 2015/2016 school years, respectively, mainly due to an increase in the number of students enrolled in our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School as they entered into the third school year operated by us.

Revenue from tuition fees increased by 25.8% from RMB292.5 million for the nine months ended 31 May 2015 to RMB368.2 million for the year ended 31 May 2016, primarily as a result of the increased student enrolment in our schools.

Revenue from boarding fees increased by 20.0% from RMB37.8 million for the nine months ended 31 May 2015 to RMB45.4 million for the nine months ended 31 May 2016, primarily attributable to increased student enrolment in our schools.

Revenue from ancillary services increased by 20.6% from RMB105.3 million for the nine months ended 31 May 2015 to RMB127.0 million for the nine months ended 31 May 2016, primarily as a result of the increased student enrolment in our schools.

Cost of Revenue

Cost of revenue increased by 28.5% from RMB223.2 million for the nine months ended 31 May 2015 to RMB286.8 million for the nine months ended 31 May 2016. Cost of revenue increased primarily as a result of increased staff costs, which increased by 27.1% from RMB115.4 million for the nine months ended 31 May 2015 to RMB146.8 million for the nine months ended 31 May 2016, primarily because (i) the number of teachers we employed increased by 22.1% from 1,364 as of 1 September 2014 to 1,666 as of 1 September 2015 in order to accommodate increased student enrolment in our schools and (ii) we increased teachers' salaries at our Dongguan Guangming School and Dongguan Guangming Primary School in March 2015 as part of our strategy to continue to attract and retain high quality teachers.

Cost of goods sold for ancillary services increased by 33.8% from RMB49.6 million for the nine months ended 31 May 2015 to RMB66.4 million for the nine months ended 31 May 2016, primarily due to increased sales volumes at our on-campus canteens mainly as a result of increased student enrolment. Our costs of goods sold for ancillary services increased at a higher rate than the increase of our revenue from ancillary services primarily because we were not seeking to maintain our margins for our on-campus canteens in light of the not-for-profit principle. Please refer to "Business – Ancillary Services" for further details about the not-for-profit principle.

Depreciation and amortisation increased by 26.1% from RMB27.9 million for the nine months ended 31 May 2015 to RMB35.2 million for the nine months ended 31 May 2016, primarily due to the enhancement and expansion of our Huizhou Guangzheng Preparatory School and Dongguan Guangzheng Preparatory School.

Utilities and maintenance costs increased by 3.5% from RMB20.1 million for the nine months ended 31 May 2015 to RMB20.8 million for the nine months ended 31 May 2016. Our utilities and maintenance costs increased at a lower rate than our revenue because a substantial portion of our utilities and maintenance costs are fixed costs.

Education expenses increased by 74.3% from RMB10.2 million for the nine months ended 31 May 2015 to RMB17.7 million for the nine months ended 31 May 2016, primarily as a result of increased expenses on student scholarships as a result of increased student performances and increased expenses on teaching materials due to increased student enrolment in our schools.

Gross Profit

Gross profit increased by 19.4% from RMB212.5 million for the nine months ended 31 May 2015 to RMB253.7 million for the nine months ended 31 May 2016. Our gross margin, which is gross profits stated as a percentage of revenue, decreased from 48.8% for the nine months ended 31 May 2015 to 46.9% for the nine months ended 31 May 2016.

Other Income

Other income decreased by 8.9% from RMB5.0 million for the nine months ended 31 May 2015 to RMB4.5 million for the nine months ended 31 May 2016, primarily as a result of decreased staff quarter rental income mainly due to decreased rental charges for staff.

Other Gains and Losses

Other gains and losses increased from a loss of RMB1.2 million for the nine months ended 31 May 2015 to a loss of RMB6.9 million for the nine months ended 31 May 2016, primarily as a result of penalties and late surcharges of RMB4.4 million comprising a late payment surcharge of RMB2.7 million imposed by tax authorities and a penalty of RMB1.7 million imposed by a government authority in Panjin on Panjin Guangzheng for violating the relevant PRC laws and regulations, and losses of RMB2.4 million recognised upon the disposals of Dongguan Guangzheng Pharmaceutical and Dongguan Guangzheng Property.

Selling Expenses

Selling expenses increased by 72.9% from RMB5.8 million for the nine months ended 31 May 2015 to RMB10.0 million for the nine months ended 31 May 2016, primarily as a result of increased advertising expenses and student recruitment bonuses in relation to the promotion of our Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School, which were established relatively recently.

Administrative Expenses

Our administrative expenses increased by 32.6% from RMB56.9 million for the nine months ended 31 May 2015 to RMB75.4 million for the nine months ended 31 May 2016, primarily as a result of increased staff salaries and other benefits and increased depreciation of office buildings and equipment as a result of school expansion and renovation.

[**REDACTED**] *Expenses*

We incurred [**REDACTED**] expenses of RMB18.1 million for the nine months ended 31 May 2016 in preparation for [**REDACTED**], while we did not incur any [**REDACTED**] expenses for the nine months ended 31 May 2015.

Finance Income

Finance income decreased by 28.8% from 86.4 million for the nine months ended 31 May 2015 to RMB61.6 million for the nine months ended 31 May 2016, primarily as a result of a decrease in the amount of imputed interest income on advances to Cinese Group and other related parties, which was mainly due to the repayment of advances by Cinese Group, the absence of imputed interest income on advances to other related parties and a decrease in interest income from deposits paid for a school building project as the project was cancelled and the deposits were repaid to the Group in September 2015.

Finance Costs

Finance costs decreased by 21.5% from RMB81.8 million for the nine months ended 31 May 2015 to RMB64.2 million for the nine months ended 31 May 2016, primarily as a result of a decrease in the level of our bank borrowings during the respective periods.

Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by 8.2% from RMB158.2 million for the nine months ended 31 May 2015 to RMB145.2 million for the nine months ended 31 May 2016. Our profit before taxation as a percentage of revenue was 36.3% for the nine months ended 31 May 2015 compared to 26.9% for the nine months ended 31 May 2016.

Taxation

Our income tax expenses increased by 17.8% from RMB22.3 million for the nine months ended 31 May 2015 to RMB26.3 million for the nine months ended 31 May 2016, primarily attributable to an increase in our taxable income. Our effective income tax rate, being tax charged for the year divided by profits before taxation, was 14.1% for the nine months ended 31 May 2015 and 18.1% for the nine months ended 31 May 2016. Our effective income tax rate is higher for the nine months ended 31 May 2016 than the nine months ended 31 May 2015 primarily due to a decrease in imputed interest income, which is not subject to the EIT.

Profit for the Period

As a result of the foregoing, our profit decreased by 12.5% from RMB135.9 million for the nine months ended 31 May 2015 to RMB118.9 million for the nine months ended 31 May 2016.

Year Ended 31 August 2015 Compared to Year Ended 31 August 2014

Revenue

Our revenue increased by 26.1% from RMB450.9 million for the year ended 31 August 2014 to RMB568.7 million for the year ended 31 August 2015, primarily as a result of increased student enrolment, which resulted in an increase in tuition and boarding fees, as well as an increase in revenue from ancillary services. Student enrolment in our schools increased by 18.0% from 19,354 as of 1 September 2013 to 22,837 as of 1 September 2014, mainly due to an increase in the number of students enrolled in our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School as they entered into the second school year operated by us.

Revenue from tuition fees increased by 24.3% from RMB315.2 million for the year ended 31 August 2014 to RMB391.7 million for the year ended 31 August 2015 mainly due to increased student enrolment. Revenue from tuition fees increased also as a result of increased tuition fees per student for newly admitted students.

Revenue from boarding fees increased by 38.7% from RMB36.4 million for the year ended 31 August 2014 to RMB50.5 million for the year ended 31 August 2015, attributable to increased student enrolment, as well as increased boarding fees per student at our Dongguan Guangming School, Dongguan Guangming Primary School and Dongguan Guangzheng Preparatory School for the 2014/2015 school year.

Revenue from ancillary services increased by 27.4% from RMB99.3 million for the year ended 31 August 2014 to RMB126.5 million for the year ended 31 August 2015, primarily due to increased student enrolment in our schools, particularly increased number of high school and middle school students who generally utilise higher levels of ancillary services.

Cost of Revenue

Cost of revenue increased by 20.6% from RMB239.7 million for the year ended 31 August 2014 to RMB289.2 million for the year ended 31 August 2015. Cost of revenue increased primarily as a result of increased staff costs, which increased by 19.8% from RMB128.3 million for the year ended 31 August 2014 to RMB153.6 million for the year ended 31 August 2015, mainly because (i) we increased teachers' salaries at our Dongguan Guangming School and Dongguan Guangming Primary School in March 2015 as part of our strategy to continue to attract and retain high quality teachers, and (ii) the number of teachers we employed increased by 16.9% from 1,167 as of 1 September 2013 to 1,364 as of 1 September 2014, as a result of increased student enrolment in our schools.

Cost of goods sold for ancillary services increased by 21.3% from RMB47.4 million for the year ended 31 August 2014 to RMB57.5 million for the year ended 31 August 2015, primarily due increased sales volumes at our on-campus canteens, which was mainly as a result of increased student enrolment in our schools.

Depreciation and amortisation increased by 34.7% from RMB28.9 million for the year ended 31 August 2014 to RMB38.9 million for the year ended 31 August 2015, primarily due to (i) the first full financial year of depreciation on certain newly constructed school buildings and student dormitories for Dongguan Guangzheng Preparatory School and (ii) the first full financial year of depreciation on Panjin Guangzheng Preparatory School, which commenced operations in September 2014.

Utilities and maintenance costs increased by 4.6% from RMB21.8 million for the year ended 31 August 2014 to RMB22.8 million for the year ended 31 August 2015, mainly due to the further expansion of Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School as they entered into the second school year operated by us. The increase was partially offset by a decrease in utilities and maintenance costs in Dongguan Guangming School as a result of the school's cost saving measures.

Education expenses increased by 22.1% from RMB13.4 million for the year ended 31 August 2014 to RMB16.3 million for the year ended 31 August 2015, primarily as a result of increased education expenses in Dongguan Guangming School and Huizhou Guangzheng Preparatory School. The increase in Dongguan Guangming School was mainly due to an increased amount of scholarships granted to students, and the increase in Huizhou Guangzheng Preparatory School was primarily the result of an increased amount of educational activities as the school entered into the second school year since its establishment.

Gross Profit

Gross profit increased by 32.4% from RMB211.2 million for the year ended 31 August 2014 to RMB279.5 million for the year ended 31 August 2015, primarily driven by our increased revenue. Our gross margin increased from 46.8% for the year ended 31 August 2014 to 49.1% for the year ended 31 August 2015.

Other Income

Other income decreased by 2.1% from RMB7.0 million for the year ended 31 August 2014 to RMB6.9 million for the year ended 31 August 2015, primarily as a result of decreased miscellaneous other income and rental income from investment properties, which was partially offset by an increase in government grants.

Other Gains and Losses

Other gains and losses were a gain of RMB0.2 million for the year ended 31 August 2014 and a loss of RMB1.3 million for the year ended 31 August 2015. In the year ended 31 August 2015, we incurred late payment surcharge of RMB1.8 million imposed by tax authorities.

Selling Expenses

Selling expenses increased by 19.5% from RMB6.3 million for the year ended 31 August 2014 to RMB7.5 million for the year ended 31 August 2015, primarily as a result of increased advertising expenses and student recruitment bonuses in relation to the promotion of our Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School, which were established relatively recently.

Administrative Expenses

Our administrative expenses increased by 5.5% from RMB72.2 million for the year ended 31 August 2014 to RMB76.1 million for the year ended 31 August 2015. Administrative expenses grew at a slower rate than revenue primarily because the number of and compensation for administrative staff remained relatively stable while student enrolment increased as we entered into the second school year operating Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School.

Finance Income

Finance income increased by 153.9% from RMB46.3 million for the year ended 31 August 2014 to RMB117.6 million for the year ended 31 August 2015, primarily as a result of an increase in the amount of imputed interest income on advances to Cinese Group and other related parties, which was primarily as a result of an increase in the level of outstanding advances to Cinese Group and other related parties during the respective years.

Finance Costs

Finance costs increased by 44.3% from RMB74.0 million for the year ended 31 August 2014 to RMB106.8 million for the year ended 31 August 2015, primarily as a result of the first full year effect of the interest expenses incurred on certain of our bank loans.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 89.1% from RMB112.3 million for the year ended 31 August 2014 to RMB212.3 million for the year ended 31 August 2015. Our profit before taxation as a percentage of revenue was 24.9% for the year ended 31 August 2014 compared to 37.3% for the year ended 31 August 2015.

Taxation

Our income tax expenses increased by 40.7% from RMB21.4 million for the year ended 31 August 2014 to RMB30.0 million for the year ended 31 August 2015, primarily as a result of an increase in our taxable income. Our effective income tax rate, being tax charged for the year divided by profits before taxation, was 19.0% for the year ended 31 August 2014 and 14.1% for the year ended 31 August 2015. Our effective income tax rate is lower for the year ended 31 August 2015 than the year ended 31 August 2014 primarily due to an increase in imputed interest income, which is not subject to the EIT tax.

Profit for the Period

As a result of the foregoing, our profit increased by 100.5% from RMB90.9 million for the year ended 31 August 2014 to RMB182.3 million for the year ended 31 August 2015.

Year Ended 31 August 2014 Compared to Year Ended 31 August 2013

Revenue

Our revenue increased by 40.9% from RMB320.1 million for the year ended 31 August 2013 to RMB450.9 million for the year ended 31 August 2014, primarily as a result of increased student enrolment, which resulted in an increase in tuition and boarding fees as well as an increase in revenue from ancillary services. Student enrolment in our schools increased by 38.8% from 13,947 as of 1 September 2012 to 19,354 as of 1 September 2013, mainly due to our acquisition of Dongguan Guangzheng Preparatory School in August 2013 and increased student enrolment in our Dongguan Guangming Primary School.

Revenue from tuition fees increased by 41.4% from RMB222.9 million for the year ended 31 August 2013 to RMB315.2 million for the year ended 31 August 2014, revenue from boarding fees increased by 39.4% from RMB26.1 million for the year ended 31 August 2013 to RMB36.4 million for the year ended 31 August 2014 and revenue from ancillary services increased by 39.9% from RMB71.0 million for the year ended 31 August 2013 to RMB99.3 million for the year ended 31 August 2014. In addition to increased student enrolment in our schools, the increase in revenue from tuition and boarding fees were also as a result of increased tuition and boarding fees per newly admitted student.

Cost of Revenue

Cost of revenue increased by 41.0% from RMB170.0 million for the year ended 31 August 2013 to RMB239.7 million for the year ended 31 August 2014. The increase in cost of revenue was primarily attributable to our acquisition of Dongguan Guangzheng Preparatory School in August 2013 and the commencement of operations of Huizhou Guangzheng Preparatory School in September 2013, which resulted in increases in the number of teachers we employed, the number of properties used by our schools and related operating costs.

Staff costs increased by 44.5% from RMB88.7 million for the year ended 31 August 2013 to RMB128.3 million for the year ended 31 August 2014, cost of goods sold for ancillary services increased by 44.1% from RMB32.9 million for the year ended 31 August 2013 to RMB47.4 million for the year ended 31 August 2014, depreciation and amortisation increased by 55.0% from RMB18.6 million for the year ended 31 August 2013 to RMB28.9 million for the year ended 31 August 2014 and utilities and maintenance costs increased by 36.9% from RMB15.9 million for the year ended 31 August 2013 to RMB21.8 million for the year ended 31 August 2014.

Education expenses decreased by 3.3% from RMB13.8 million for the year ended 31 August 2013 to 13.4 million for the year ended 31 August 2014, primarily attributable to decreases in Dongguan Guangming School and Dongguan Guangming Primary School, which was partially offset by increases in Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, as well as by an increase in Panjin Guangzheng Preparatory School as a result of its preparatory activities to commence operations in September 2014.

Gross Profit

Gross profit increased by 40.8% from RMB150.0 million for the year ended 31 August 2013 to RMB211.2 million for the year ended 31 August 2014, primarily driven by our increased revenue. Our gross margin was 46.9% for the year ended 31 August 2013 and 46.8% for the year ended 31 August 2014.

Other Income

Other income increased by 18.9% from RMB5.9 million for the year ended 31 August 2013 to RMB7.0 million for the year ended 31 August 2014. The increase was primarily attributable to an increase in staff quarter income.

Other Gains and Losses

Other gains and losses decreased by 96.4% from a gain of RMB4.9 million for the year ended 31 August 2013 to a gain of RMB0.2 million for the year ended 31 August 2014, primarily because we recognised a gain from the acquisition of Dongguan Guangzheng Preparatory School during the year ended 31 August 2013.

Selling Expenses

Selling expenses increased by 42.6% from RMB4.4 million for the year ended 31 August 2013 to RMB6.3 million for the year ended 31 August 2014 mainly due to an increase in advertising expenses, primarily as a result of additional marketing efforts to promote our newly acquired Dongguan Guangzheng Preparatory School and our newly established Huizhou Guangzheng Preparatory School.

Administrative Expenses

Our administrative expenses increased by 50.0% from RMB48.1 million for the year ended 31 August 2013 to RMB72.2 million for the year ended 31 August 2014. Administrative expenses increased at a faster pace than revenue primarily due to the acquisition of our Dongguan Guangzheng Preparatory School in August 2013 and the commencement of operations of our Huizhou Guangzheng Preparatory School in September 2013, which resulted in increases in the number of administrative staff, the number of office buildings used by us and other ramp up costs for the first-year school operation.

Finance Income

Finance income decreased by 2.5% from RMB47.5 million for the year ended 31 August 2013 to RMB46.3 million for the year ended 31 August 2014, primarily as a result of a net decrease in imputed interest income on advances to Cinese Group and other related parties.

Finance Costs

Finance costs increased by 54.5% from RMB47.9 million for the year ended 31 August 2013 to RMB74.0 million for the year ended 31 August 2014, primarily due to an increase in our level of bank borrowings during the respective years.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by 4.0% from RMB107.9 million before taxation for the year ended 31 August 2013 to RMB112.3 million for the year ended

31 August 2014. Our profit before taxation as a percentage of revenue was 33.7% for the year ended 31 August 2013 and 24.9% for the year ended 31 August 2014.

Taxation

Our income tax expenses increased by 13.2% from RMB18.9 million for the year ended 31 August 2013 to RMB21.4 million for the year ended 31 August 2014. The increase was primarily attributable to an increase in our taxable income. Our effective income tax rate was 17.5% for the year ended 31 August 2013 and 19.0% for the year ended 31 August 2014. Our effective income tax rate is higher for the year ended 31 August 2014 than the year ended 31 August 2013 primarily as a result of a decrease in imputed interest income, which is not subject to the EIT tax.

Profit for the Period

As a result of the foregoing, our profit increased by 2.1% from RMB89.0 million for the year ended 31 August 2013 to RMB90.9 million for the year ended 31 August 2014.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of 31 August			As of 31 May	As of 30 June
	2013	**2014**	**2015**	**2016**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
CURRENT ASSETS					
Inventories – goods for sale	1,110	1,591	1,978	5,361	5,214
Deposits, prepayments and other receivables	18,645	51,952	25,761	27,825	28,132
Amounts due from related parties	725,363	287,537	1,486,418	1,271,381	921,872
Prepaid lease payments	4,962	5,253	5,253	5,323	5,123
Bank balances and cash	33,908	13,071	12,229	128,491	147,795
TOTAL CURRENT ASSETS	783,988	359,404	1,531,639	1,438,381	1,108,136
CURRENT LIABILITIES					
Deferred revenue	178,290	224,817	285,146	211,930	165,761
Trade payables	8,355	14,362	25,185	42,477	45,485
Other payables and accrued expenses	171,344	286,552	203,971	173,807	178,092
Amounts due to related parties	346,597	336,908	432,838	908,649	691,490
Income tax payable	19,404	38,583	61,210	81,410	84,786
Borrowings	15,000	141,362	537,849	198,549	103,349
TOTAL CURRENT LIABILITIES	738,990	1,042,584	1,546,199	1,616,822	1,268,963
NET CURRENT ASSETS (LIABILITIES)	44,998	(683,180)	(14,560)	(178,441)	(160,827)

As of 30 June 2016, our net current liabilities decreased primarily as a result of decreased amounts due to related parties, decreased bank borrowings and decreased deferred revenue, which was mainly because an additional amount of deferred revenue was recognised as revenue as an additional amount of educational services were rendered as of 30 June 2016.

As of 31 August 2013, 2014 and 2015 and 31 May 2016, we recorded net current assets of RMB45.0 million, net current liabilities of RMB683.2 million, net current liabilities of RMB14.6 million and net current liabilities of RMB178.4 million, respectively.

We recorded net current liabilities as of 31 August 2014 and 2015 and 31 May 2016, primarily as a result of (i) amounts recognised as deferred revenue from tuition fees, boarding fees and ancillary services. There are two school terms each school year. Tuition fees and boarding fees are generally paid in advance prior to the beginning of each school term and are initially recorded as deferred revenue. We record payment of tuition fees and boarding fees initially as a liability under deferred revenue and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. Revenue from ancillary services is recognised when the goods or services, such as meals at our on-campus canteens are delivered to students. The amount of deferred revenue is typically less as of May 31 since a certain amount of educational services have been rendered with the corresponding deferred revenue being recognised as revenue; (ii) amounts due to related parties, which primarily consist of amounts due to Cinese Group that are non-trade in nature, non-interest bearing and repayable on demand. We expect to settle all amounts due to and from related parties prior to [**REDACTED**]. Please refer to "– Related Party Transactions and Balances" below for further details; (iii) other payables and accrued expenses, which primarily consist of accruals for construction in connection with the maintenance and improvement of our school facilities, and accrued staff benefits and payroll; and (iv) borrowings, which primarily consist of our short-term bank borrowings.

For risks associated with our net current liabilities position, please refer to "Risk Factors – Risks Relating to Our Business and Our Industry – We recorded net current liabilities as of 31 August 2014 and 2015, 31 May 2016 and 30 June 2016 and may record net current liabilities in the future" of this document for further details.

We expect to improve our net current liabilities position by (i) settling all amounts due to and from related parties prior to [**REDACTED**]; (ii) receiving funds generated from our business operations and (iii) receiving [**REDACTED**]. Taking into account of the funds generated from our business operations and our financial resources, including our unutilized banking facilities, our Directors are of the opinion that we have sufficient working capital to meet in full our 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.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchase of property, plant and equipment and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations and bank loans and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, [**REDACTED**] from time to time. Any significant decrease in student enrolment, our tuition fees, boarding fees and revenue from ancillary services, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As of 31 August 2013, 2014 and 2015 and 31 May 2016, we had cash and cash equivalents of RMB33.9 million, RMB13.1 million, RMB12.2 million and RMB128.5 million, respectively.

Cash Flow

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

	Year ended 31 August			Nine months ended 31 May	
	2013	2014	2015	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Net cash from operating activities	165,634	241,100	319,148	160,401	182,329
Net cash used in investing activities	(244,692)	(909,972)	(308,769)	(238,721)	(60,195)
Net cash from (used in) financing activities	68,186	648,035	(11,221)	80,579	(5,872)
(Decrease) increase in cash and cash equivalents	(10,872)	(20,837)	(842)	2,259	116,262
Cash and cash equivalents at beginning of the year/period	44,780	33,908	13,071	13,071	12,229
Cash and cash equivalents at the end of the year/period	33,908	13,071	12,229	15,330	128,491

Cash Flow from Operating Activities

We generate cash from operating activities primarily from tuition fees, boarding fees and ancillary services.

Our net cash from operating activities was RMB182.3 million for the nine months ended 31 May 2016, primarily consisting of RMB212.8 million of cash generated from operating activities before working capital adjustments, negative working capital adjustments of RMB26.8 million and cash outflows of RMB3.7 million attributable to income tax paid. Working capital adjustments primarily consist of a decrease in deferred revenue of RMB73.2 million primarily attributable to the deferred revenue being recognised as revenue over the period, which was partially offset by an increase in trade payables of RMB17.3 million.

Our net cash from operating activities was RMB319.1 million for the year ended 31 August 2015, consisting of cash generated from operating activities of RMB247.3 million before working capital adjustments, working capital adjustments of RMB78.0 million and cash outflows of RMB6.2 million attributable to income tax paid. Working capital adjustments primarily consist of an increase in deferred revenue of RMB60.3 million primarily due to increased student enrolment in our schools and an increase in trade payables of RMB10.8 million.

Our net cash from operating activities was RMB241.1 million for the year ended 31 August 2014, consisting of cash generated from operating activities of RMB173.7 million before working capital adjustments, working capital adjustments of RMB68.0 million and cash outflows of RMB0.6 million attributable to income tax paid. Working capital adjustments primarily consist of an increase in deferred revenue of RMB46.5 million primarily due to increased student enrolment in our schools and an increase in other payables and accruals of RMB19.3 million.

Our net cash from operating activities was RMB165.6 million for the year ended 31 August 2013, consisting of cash generated from operating activities of RMB124.7 million before working capital adjustments and working capital adjustments of RMB40.9 million. Working capital adjustments primarily consist of an increase in deferred revenue of RMB20.1 million mainly due to increased student enrolment in our schools and an increase in other payables and accrued expenses of RMB11.8 million mainly due to an increase in accruals for construction resulting from the construction of our Huizhou Guangzheng Preparatory School.

Cash Flows used in Investing Activities

Our expenditures for investing activities were primarily for advances to and repayments from Cinese Group other related parties.

Our net cash used in investing activities was RMB60.2 million for the nine months ended 31 May 2016, primarily attributable to advances to related parties of RMB980.2 million and RMB136.3 million used to purchase property, plant and equipment for the enhancement of our schools, which were partially offset by repayments from related parties of RMB554.1 million and repayments from Cinese Group of RMB428.8 million.

Our net cash used in investing activities was RMB308.8 million for the year ended 31 August 2015, primarily attributable to advances to related parties of RMB786.7 million, RMB193.6 million used to purchase property, plant and equipment for the enhancement of our school facilities and advances to Cinese Group of RMB100.0 million, which were partially offset by repayments from related parties of RMB664.0 million and repayments from Cinese Group of RMB94.5 million.

Our net cash used in investing activities was RMB910.0 million for the year ended 31 August 2014, primarily attributable to RMB1,190.0 million advances to Cinese Group, RMB428.0 million advances to related parties and RMB231.6 million used to purchase property, plant and equipment for our Panjin Guangzheng Preparatory School, Huizhou Guangzheng Preparatory School and Dongguan Guangzheng Preparatory School, which was partially offset by repayments from related parties of RMB555.2 million and repayments from Cinese Group of RMB455.0 million.

Our net cash used in investing activities was RMB244.7 million for the year ended 31 August 2013, primarily attributable to RMB282.5 million of advances to related parties, RMB141.2 million used to acquire Dongguan Guangzheng Preparatory School and RMB82.2 million used to purchase property, plant and equipment primarily for the construction of our Huizhou Guangzheng Preparatory School, which was partially offset by repayments from related parties of RMB144.5 million and repayments from Cinese Group of RMB120.0 million.

Cash Flows (used in) from Financing Activities

Our cash flows relating to financing activities primarily relate to advances from related parties, repayments to related parties and repayment of bank borrowings.

Our net cash used in financing activities was RMB5.9 million for the nine months ended 31 May 2016, attributable RMB428.8 million used in repayment of bank borrowings, RMB186.3 million used in repayments to related parties, RMB80.7 million of interest paid on bank loans and RMB7.1 million in [**REDACTED**] expenses paid, which were partially offset by RMB647.0 million in advances from related parties and RMB50.0 million in proceeds from bank borrowings.

Our net cash used in financing activities was RMB11.2 million for the year ended 31 August 2015, attributable to RMB110.3 million of interest paid on bank loans, RMB102.7 million in repayments to related parties and RMB94.5 million in repayment of bank borrowings, which were partially offset by RMB196.3 million in advances from related parties and RMB100.0 million in proceeds from bank borrowings.

Our net cash from financing activities was RMB648.0 million for the year ended 31 August 2014, attributable to RMB1,190.0 million in proceeds from bank borrowings and RMB59.1 million in advances from related parties, which were partially offset by RMB455.0 million in repayment of bank borrowings, RMB76.1 million of interest paid on bank loans and RMB70.0 million in repayments to related parties.

Our net cash from financing activities was RMB68.2 million for the year ended 31 August 2013, attributable to RMB267.6 million in advances from related parties and RMB70.0 million in proceeds from bank borrowings, which were partially offset by RMB120.0 million in repayment of bank borrowings, RMB96.2 million in repayments to related parties and RMB53.2 million of interest paid on bank loans.

Working Capital

We intend to continue to finance our working capital with cash generated from our operating activities. We will closely monitor the level of our working capital, particularly in view of our strategy to continue to expand our school network.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our schools and hiring additional teachers and other educational staff. Our Directors are of the view that our available cash balance, the anticipated cash flow from operations, bank loans and other borrowings and [**REDACTED**] will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this document. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor has no reason to believe that the Company cannot meet the working capital requirement for the 12 months period from the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the acquisition of Dongguan Guangzheng Preparatory School, the purchase of land use rights for Huizhou Guangzheng Preparatory School and the construction of school premises for Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School. Our capital expenditures for the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016 were RMB226.9 million, RMB262.6 million, RMB210.6 million and RMB158.5 million, respectively. The following table sets forth our additions of property, plant and equipment and leasehold levels, respectively, for the periods indicated.

	Year ended 31 August			Nine months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)	*(RMB'000)*
Property, plant and equipment	82,165	231,558	193,628	135,067	136,308
Prepaid land lease payments	3,500	5,000	–	–	19,216
Payment for acquisition of a subsidiary	141,233	26,000	17,000	15,000	3,000
Total	226,898	262,558	210,628	150,067	158,524

CONTRACTUAL OBLIGATIONS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

During the Track Record Period, we, as tenant, leased certain office properties and staff apartments under operating leases. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	At 31 August			At 31 May	At 30 June
	2013	2014	2015	2016	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
Within one year	2,616	3,181	4,788	4,589	4,439
In the second to fifth year inclusive	9,157	13,365	13,720	13,958	14,209
Over five years	40,504	37,965	35,302	34,543	34,288
Total	52,277	54,511	53,810	53,090	52,936

Capital Commitments

Our capital commitments primarily relate to the construction of new schools, the expansion and improvement of our existing schools. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of 31 August			As of 31 May	As of 30 June
	2013	2014	2015	2016	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
Capital expenditure contracted but not provided in the Financial Information in respect of the acquisition of – property, plant and equipment	183,491	61,777	31,404	306,123	296,916

Contingent Liabilities

As of 30 June 2016, except as otherwise disclosed in this document, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. The Directors have confirmed that there has not been any material change in our contingent liabilities since 30 June 2016.

INDEBTEDNESS

Our indebtedness include bank and other borrowings, amounts due to related parties that are non-trade in nature and other payables.

Bank and Other Borrowings

Our borrowings primarily consisted of short-term working capital loans and long-term borrowings primarily used to fund our business operations. Our borrowings as of 31 August 2013, 2014 and 2015, 31 May 2016 and 30 June 2016**,** being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 August			As of 31 May	As of 30 June
	2013	**2014**	**2015**	**2016**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
Borrowings					
Bank loans					
– Secured	535,000	1,070,000	1,075,500	896,700	801,500
– Unsecured	–	–	–	–	–
	535,000	1,070,000	1,075,500	896,700	801,500
Trust financing arrangements with equity repurchase obligations	–	200,000	200,000	–	–
Total borrowings	535,000	1,270,000	1,275,500	896,700	801,500
Carrying amounts repayable					
– Within one year	15,000	141,362	337,849	198,549	182,549
– One to two years	475,000	297,849	118,849	128,849	112,849
– Two to five years	45,000	396,547	345,547	296,047	236,047
– More than five years	–	234,242	273,255	273,255	270,055
	535,000	1,070,000	1,075,500	896,700	801,500
Trust financing arrangements with equity repurchase obligations[(1)]					
– Within one year	–	–	200,000	–	–
– One to two years	–	200,000	–	–	–
	–	200,000	200,000	–	–
Total borrowings	535,000	1,270,000	1,275,500	896,700	801,500
The exposure of borrowings:					
– Fixed rate	–	390,000	390,000	50,000	50,000
– Variable rate	535,000	880,000	885,500	846,700	751,500
	535,000	1,270,000	1,275,500	896,700	801,500

Note:

(1) We entered into trust financing arrangements with a trust financing company in the form of transferring equity interest and issuing new shares of Panjin Guangzheng to the trust financing company with repurchase obligation at a fixed amount in a future date. Please refer to "History and Development – Our Consolidated Affiliated Entities" for further details of the trust financing arrangements.

Our borrowings as of 31 August 2013, 2014 and 2015 and 31 May 2016 were all denominated in RMB. The table below sets for the effective interest rates for our borrowings as at the dates indicated:

	As at 31 August			Nine months ended 31 May
	2013	**2014**	**2015**	**2016**
	(%)	*(%)*	*(%)*	*(%)*
Effective interest rate for variable-rate bank loans	6.4-7.6	6.4-8.4	5.9-8.6	4.9-7.9
Effective interest rate for fixed-rate bank loans	N/A	7.3	7.3	4.6
Effective interest rate for fix-rate trust financing arrangements	N/A	12.0	12.0	N/A

As of 30 June 2016, we had unutilised banking facilities of RMB85.0 million.

During the Track Record Period, certain of our related parties provided guarantees and mortgages for the loans we borrowed. We expect that all guarantees and mortgages provided by our related parties will be released upon [**REDACTED**].

Our bank loan agreements contain certain covenants that, among other things, require the borrower to ensure that its debt to equity ratio does not exceed certain percentage, and/or to obtain prior written consent from the debtor prior to incurring material additional debt, reducing registered capital and engaging in certain transactions such as mergers and acquisitions, investments, share transfers, change in controlling shareholders or beneficial owners and material asset and securities sales.

Our Directors confirm that as at the Latest Practicable Date, except as otherwise disclosed in this document, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings and we did not have any material default in payment of trade and non-trade payables, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Amounts due to Related Parties

During the Track Record Period, we incurred indebtedness from amounts due to related parties that are non-trade in nature, unsecured, non-interest bearing and repayable on demand. We expect to settle all amounts due to and from related parties prior to [**REDACTED**]. Our amounts due to related parties that are non-trade in nature as of 31 August 2013, 2014 and 2015, 31 May 2016 and 30 June 2016, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	Relationship	As of 31 August 2013	As of 31 August 2014	As of 31 August 2015	As of 31 May 2016	As of 30 June 2016
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
Mr. Liu	Controlling Equity Holders and director	(91,496)	(102,727)	(119,725)	(219,969)	(192,006)
Ms. Li	Controlling Equity Holders and director	(7,521)	(7,521)	(10,317)	(15,264)	(18,226)
Cinese Group	Controlled by Mr. SP Liu	(173,468)	(147,625)	(145,307)	(147,391)	(25,725)
東莞富盈酒店有限公司 (Dongguan Cinese Hotel Co. Ltd.) ("Dongguan Cinese Hotel")	Controlled by Mr. Liu	(5,930)	(300)	(313)	(388)	(319)
東莞富盛實業投資有限公司 (Dongguan Fusheng Industrial Investment Co. Ltd.) ("Dongguan Fusheng")	Controlled by Mr. Liu	(200)	(200)	(200)	(200)	(200)
東莞萬盛房地產開發有限公司 (Dongguan Wansheng Real Estate Development Co. Ltd.) ("Dongguan Wansheng Real Estate")	Controlled by Mr. Liu	(59,468)	(68,852)	(143,897)	(127,282)	(65,380)
東莞市興大教育投資有限公司 Dongguan Xingda Education Investment Co. Ltd	Controlled by Ms. Li	(4,395)	(4,395)	(4,385)	(4,385)	(4,385)
東莞市合興教育投資有限公司 Dongguan Hexing Education Investment Co. Ltd	Controlled by Ms. Li	(598)	(598)	(598)	(598)	(598)
東莞市富勤實業投資有限公司 Dongguan Fuqin Industrial Investment Co. Ltd	Controlled by Ms. Li	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)
Dongguan Cinese Real Estate	Controlled by Mr. Liu	–	–	(1,031)	(370,000)	(370,000)
		(344,171)	(333,313)	(426,868)	(886,572)	(677,934)

Other Payables

Our indebtedness also include consideration payable for the acquisition of Dongguan Guangzheng Preparatory School and payables for the land use right acquired for the use of Dongguan Guangzheng Preparatory School. We acquired our Dongguan Guangzheng Preparatory School in August 2013 for a total consideration of RMB250.0 million. As at 31 August 2013, 2014 and 2015, 31 May 2016 and 30 June 2016, being the latest practicable date for the purpose of indebtedness statement, consideration payable for the acquisition of Dongguan Guangzheng Preparatory School amounted to RMB50.0 million, RMB24.0 million, RMB7.0 million, RMB4.0 million and RMB4.0 million, respectively. As at 31 August 2014 and 2015, 31 May 2016 and 30 June 2016, being the latest practicable date for the purpose of indebtedness statement, our payables for the land use right acquired for the use of Dongguan Guangzheng Preparatory School amounted to RMB12.4 million, RMB12.4 million, RMB12.4 million and RMB12.4 million, respectively.

Contingent Liability

On 19 March 2015, an individual who is an Independent Third Party, initiated court proceedings in relation to the advances he made on behalf of Dongguan Guangzheng Preparatory School during its establishment for a total amount of RMB5.0 million and the related interests thereof. As of the Latest Practicable Date, the outcome of this legal proceeding had yet to be finalised.

Except as disclosed above, as of 30 June 2016, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

[REDACTED] EXPENSES

We expect to incur a total of approximately RMB37.7 million of [**REDACTED**] expenses (assuming an [**REDACTED**] of [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range between [**REDACTED**] and [**REDACTED**], and assuming that the [**REDACTED**] is not exercised at all) in relation to [**REDACTED**], of which approximately RMB18.1 million were charged to profit and loss and approximately RMB6.0 million was capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB10.2 million to our profit or loss and to capitalise approximately RMB3.4 million. [**REDACTED**] expenses represent professional fees and other fees incurred in connection with the [**REDACTED**], excluding [**REDACTED**]. The [**REDACTED**] expenses above were the best estimate as at the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate.

KEY FINANCIAL RATIOS

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

	As of/for the year ended 31 August			As of/for the nine months ended 31 May
	2013	2014	2015	2016
Net profit margin[(1)]	27.8%	20.2%	32.1%	22.0%
Return on assets[(2)]	5.0%	3.4%	6.1%	5.1%
Return on equity[(3)]	16.8%	17.8%	27.0%	19.9%
Current ratio[(4)]	1.06	0.34	0.99	0.89
Debt to equity ratio[(5)]	0.95	2.46	1.87	0.97
Gearing ratio[(6)]	1.01	2.49	1.89	1.13
Interest coverage ratio[(7)]	2.26	1.89	1.89	2.30

Notes:

(1) Net profit margin equals our net profit after tax divided by revenue for the year/period.

(2) Return on assets equals net profit for the year/period divided by average total assets as of the end of the year/period. Return on assets for the nine months ended 31 May 2016 was calculated using the profit for the nine months ended 31 May 2016 adjusted on an annual basis.

(3) Return on equity equals net profit for the year/period divided by average total equity amounts as of the end of the year/period. Return on equity for the nine months ended 31 May 2016 was calculated using the profit for the nine months ended 31 May 2016 adjusted on an annual basis.

(4) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.

(5) Debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

(6) Gearing ratio equals total debt divided by total equity as of the end of the year/period. Total debt includes all interest-bearing bank loans and other borrowings.

(7) Interest coverage ratio equals profit before interest and tax of one year/period divided by finance cost of the same year/period.

Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin decreased from 27.8% for the year ended 31 August 2013 to 20.2% for the year ended 31 August 2014, primarily due to expenses associated with the first school year ramp up period for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, both of which commenced operations in September 2013. Our net profit margin increased to 32.1% for the year ended 31 August 2015, primarily because student enrolment in our schools increased mainly because our Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School entered into the second school year operated by us. Net profit margin decreased to 22.0% for the nine months ended 31 May 2016, mainly because of the [**REDACTED**] expenses incurred of RMB18.1 million and increased administrative expenses.

Return on Assets and Return on Equity

Our return on assets ratio decreased from 5.0% for the year ended 31 August 2013 to 3.4% for the year ended 31 August 2014 and increased to 6.1% for the year ended 31 August 2015, mainly due to the first school year ramp up period for Dongguan Guangzheng Preparatory School and Huizhou Guangzheng Preparatory School, both of which commenced operations in September 2013. Our return on assets ratio decreased to 5.1% for the nine months ended 31 May 2016 from 6.1% for the year ended 31 August 2015, mainly due to increased investment in and the ramp up period of our relatively recently established schools.

Our return on equity ratio remained relatively stable at 16.8% for the year ended 31 August 2013 and 17.8% for the year ended 31 August 2014. Return on equity ratio increased to 27.0% for the year ended 31 August 2015, primarily because student enrolment in our schools increased. Our return on equity ratio decreased to 19.9% for the nine months ended 31 May 2016 primarily due to the [**REDACTED**] expenses incurred.

Current Ratio

Our current ratio decreased from 1.06 as of 31 August 2013 to 0.34 as of 31 August 2014, primarily as a result of an increase in amounts due to related parties and a decrease in amounts due from related parties. Our current ratio increased to 0.99 as of 31 August 2015, primarily due to an increase in amounts due from related parties.

Our current ratio, decreased to 0.89 as of 31 May 2016, primarily due to a decrease in amounts due from related parties and an increase in amounts due to related parties.

Debt to Equity Ratio and Gearing Ratio

Our debt to equity ratio increased from 0.95 as of 31 August 2013 to 2.46 as of 31 August 2014, and our gearing ratio increased from 1.01 as of 31 August 2013 to 2.49 for the year ended 31 August 2014, mainly because of an increase in our bank borrowings at year end. Our debt to equity ratio and gearing ratio decreased to 1.87 and 1.89 as of 31 August 2015, respectively, mainly because of increased total equity at year end.

Our debt to equity ratio and gearing ratio decreased to 0.97 and 1.13 as of 31 May 2016, respectively, primarily due to decreased bank borrowings at period end.

Interest Coverage Ratio

Our interest coverage ratio decreased from 2.26 for the year ended 31 August 2013 to 1.89 for the year ended 31 August 2014, primarily due to increased finance costs. Our interest coverage ratio remained stable at 1.89 for the year ended 31 August 2015. Our interest coverage ratio increased to 2.30 for the nine months ended 31 May 2016, mainly because of decreased finance costs.

RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions and Balances that are Trade in Nature

Related Party Transactions

During the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016, we entered into the following transactions with related parties:

Related party	Relationship	Nature of transactions	Year ended 31 August 2013 *(RMB'000)*	2014 *(RMB'000)*	2015 *(RMB'000)*	Nine months ended 31 May 2015 *(RMB'000)* (Unaudited)	31 May 2016 *(RMB'000)*
Dongguan Yingwei	Controlled by Mr. SP Liu	Purchase of goods	10,303	10,943	11,957	10,250	11,307
Dongguan Changying	Controlled by Mr. SP Liu	Purchase of goods	–	2,622	3,754	3,431	5,086
Dongguan Yingfa	Controlled by a close family member of Mr. Liu	Purchase of goods	655	1,656	2,987	2,559	3,105
Dongguan Cinese Hotel	Controlled by Mr. Liu	Hospitality expenses	24	45	364	72	250
Dongguan Wenfeng	Controlled by a close family member of Mr. Liu	Construction expenses	–	504	5,158	–	47,320
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Construction expenses	–	–	–	–	130,000
Mr. Liu	Controlling equity holder and director	Acquisition of a subsidiary	–	–	–	–	10
Mr. Liu Jiefeng (劉杰鋒)	Close family member of Mr. Liu	Disposal of subsidiaries	–	–	–	–	720
Mr. SP Liu	Father of Mr. Liu	Disposal of a subsidiary	–	–	–	–	80

During the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016, the Group entered into the following construction contracts with related parties, which are controlled by Mr. Liu and/or their close family members:

Dongguan Wenfeng	Controlled by a close family member of Mr. Liu	Contract amounts entered	–	5,351	29,937	29,937	51,774
Dongguan Cinese Real Estate	Controlled by Mr. Liu	Contract amounts entered	–	–	–	–	590,000

We expect to discontinue the aforesaid related party transactions in relation to the purchase of goods and hospitality expenses prior to [**REDACTED**], while the aforesaid disposal of subsidiaries had been completed as of the Latest Practicable Date. During the nine months ended 31 May 2016, we entered into construction agreements with Dongguan Cinese Real Estate, a company controlled by Mr. Liu with respect to the construction of Weifang Guangzheng Preparatory School and Guang'an Guangzheng Preparatory School. Please see "Connected Transactions" section for further details of the proposed construction arrangement with Dongguan Cinese Real Estate after [**REDACTED**].

Our Directors believe that each of the related party transactions set out above and in note 37 to the Accountant's Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

Related Party Balances

As of 31 August 2013, 2014 and 2015 and 31 May 2016, we did not incur amounts due from related parties that are trade in nature and our amounts due to related parties that are trade in nature were RMB2.4 million, RMB3.6 million, RMB6.0 million and RMB22.1 million, respectively. The table below sets forth a summary of the amounts due to our related parties that are trade in nature, by amount and as a percentage of the total amounts due to our related parties that are trade in nature, as of the dates indicated.

	As of 31 August						As of 31 May	
	2013		2014		2015		2016	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Amounts due to Dongguan Yingwei	594	24.5%	1,229	34.2%	2,449	41.0%	5,320	24.1%
Amounts due to Dongguan Changying	157	6.5%	382	10.6%	1,272	21.3%	4,042	18.3%
Amounts due to Dongguan Yingfa	79	3.2%	388	10.8%	653	11.0%	1,412	6.4%
Amounts due to Dongguan Wenfeng	1,596	65.8%	1,596	44.4%	1,596	26.7%	11,303	51.2%
Total amounts due to related parties	2,426	100%	3,595	100%	5,970	100%	22,077	100%

Amounts due to the abovesaid related parties are trade in nature, unsecured, non-interest bearing and repayable on demand. As of 31 August 2013, 2014 and 2015 and 31 May 2016, amounts due to the abovesaid related parties were aged within 180 days based on invoice date.

Related Party Balances that are Non-Trade in Nature

Amounts Due From Related Parties

As of 31 August 2013, 2014 and 2015 and 31 May 2016, amounts due from our related parties that are non-trade in nature were RMB822.7 million, RMB1,362.5 million, RMB1,585.6 million and RMB1,271.4 million, respectively. The table below sets forth a summary of the amounts due from our related parties as of the dates indicated.

						Maximum amount outstanding during				
		At 31 August			At 31 May	Year ended 31 August			Nine months ended 31 May	31 May
	Relationship	2013	2014	2015	2016	2013	2014	2015	2015	2016
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Mr. Liu	Controlling Equity Holders and director	31,046	120,424	149,877	235,222	31,046	120,424	214,735	214,735	235,222
Ms. Li	Controlling Equity Holders and director	84,968	77,811	54,221	44,234	84,968	84,968	77,811	77,811	54,221
Cinese Group – *borrowings*	Controlled by Mr. SP Liu	468,380	1,014,409	1,163,021	869,691	468,380	1,014,409	1,163,201	1,137,791	1,163,201
Cinese Group	Controlled by Mr. SP Liu	46,465	148,721	216,416	120,665	46,465	148,721	216,416	148,721	216,416
Dongguan Wansheng Real Estate	Controlled by Mr. Liu	2,000	–	–	–	2,000	2,000	–	–	–
Dongguan Fusheng	Controlled by Mr. Liu	266	266	266	266	266	266	266	266	266
Dongguan Cinese Real Estate	Controlled by Mr. Liu	189,545	–	–	–	181,545	181,545	–	–	–
Dongguan Cinese Hotel	Controlled by Mr. Liu	5	836	1,837	1,303	5	836	1,837	836	1,837
		822,675	1,362,467	1,585,638	1,271,381					
Analysed for reporting purposes as:										
Current assets		725,363	287,537	1,486,418	1,271,381					
Non-current assets		97,312	1,074,930	99,220	–					
		822,675	1,362,467	1,585,638	1,271,381					

Amounts due from Cinese Group (borrowings) represented advances provided by our Group to Cinese Group with carrying amount of RMB468.4 million, RMB1,014.4 million, RMB1,163.0 million and RMB869.7 million as of 31 August 2013, 2014 and 2015 and 31 May 2016, respectively. Such advances were unsecured, non-interest bearing and repayable in two years. The nominal value of the advances as of 31 August 2013, 2014 and 2015 and 31 May 2016 were RMB470.0 million, RMB1,165.0 million, RMB1,230.0 million and RMB875.0 million, respectively.

Amounts due from Mr. Liu and Ms. Li, both of whom are Directors of our Group, include advances provided by our Group to Mr. Liu and Ms. Li with carrying amount of RMB97.3 million and RMB151.0 million as of 31 August 2013 and 2014, respectively. Such advances were unsecured, non-interest bearing and the management expected the advances would be repayable over one year. The nominal value of the advances as of 31 August 2013 and 2014 was RMB104.6 million and RMB162.4 million, respectively.

During the Track Record Period, we recognised imputed interest income on the aforesaid advances to Cinese Group and Mr. Liu and Ms. Li under IFRS. The imputed interest income recognised on advances to Cinese Group was RMB39.6 million, RMB34.9 million and RMB101.1 million and RMB61.4 million for the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016, respectively. The imputed interest income recognised on advances to Mr. Liu and Ms. Li was RMB4.9 million and RMB7.3 million and RMB11.3 million as of 31 August 2013, 2014 and 2015, respectively. Such imputed interest income is only a hypothetical income under IFRS and had no cash inflow during the Track Record Period. We are settling the amounts due to and from related parties and expect to settle all amounts due to and from related parties prior to [**REDACTED**]. Please refer to "– Finance Income" and "– Imputed Interest Income and Related Interest Expenses" above for further details.

The remaining amounts due from Cinese Group, Mr. Liu and Ms. Li and other related parties are also unsecured, non-interest bearing and repayable on demand.

Amounts Due To Related Parties

As of 31 August 2013, 2014 and 2015 and 31 May 2016, amounts due to our related parties that are non-trade in nature were RMB344.2 million, RMB333.3 million, RMB426.9 million and RMB886.6 million, respectively. The table below sets forth a summary of the amounts due to our related parties as of the dates indicated.

	Relationship	At 31 August 2013	2014	2015	At 31 May 2016
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Mr. Liu	Controlling Equity Holders and director	91,496	102,727	119,725	219,969
Ms. Li	Controlling Equity Holders and director	7,521	7,521	10,317	15,264
Cinese Group	Controlled by Mr. SP Liu	173,468	147,625	145,307	147,391
Dongguan Cinese Hotel	Controlled by Mr. Liu	5,930	300	313	388
Dongguan Fusheng	Controlled by Mr. Liu	200	200	200	200
Dongguan Wansheng Real Estate	Controlled by Mr. Liu	59,468	68,852	143,897	127,282
Dongguan Cinese Real Estate	Controlled by Mr. Liu	–	–	1,031	370,000
Dongguan Xingda Education Investment Co. Ltd	Controlled by Ms. Li	4,395	4,395	4,385	4,385
Dongguan Hexing Education Investment Co. Ltd	Controlled by Ms. Li	598	598	598	598
Dongguan Fuqin Industrial Investment Co. Ltd	Controlled by Mr. Liu	1,095	1,095	1,095	1,095
		344,171	333,313	426,868	886,572

The aforementioned amounts due to our related parties are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

We expect to settle all amounts due to and from our related parties prior to [**REDACTED**].

Compensation of key management personnel

The remuneration of Directors and other members of key management of our Group during the Track Record Period is set out in note 37 of the Accountants' Report in Appendix I to this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of 31 May 2016.

NON-DISTRIBUTABLE RESERVES AND DIVIDEND POLICY

As of the Latest Practicable Date, we had not declared or paid any dividends on our ordinary shares. 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 relevant laws. 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, if any, 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 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, our 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 requires a private school that requires reasonable returns to make an annual appropriation of 25% of its after-tax income to its development fund prior to dividend payments. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. The total amount of development fund reserves our schools made during the three years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016 was RMB18.9 million, RMB28.7 million, RMB39.3 million and RMB28.2 million, respectively.

Under the relevant PRC laws and regulations, on-campus canteens shall in principle be operated on a "not-for-profit" basis. However, such "not-for-profit" principle is not defined in any PRC laws and regulations. We have consulted the competent education authorities and price authorities pursuant to which we understand that the principle of "not-for-profit" is met if our schools do not seek to distribute to our school sponsors the surplus, if any, from the operation of our on-campus canteens which may be applied for the continuous operation and improvement of the relevant on-campus canteens. During the Track Record Period, none of our schools had distributed any surplus (including any surplus from the on-campus canteens) to our school sponsors. Our Directors have decided to voluntarily establish a non-distributable reserve and transfer all the retained earnings of our on-campus canteens since the operation thereof into such reserve. As of 31 May 2016, all such retained earnings in the amount of RMB175.5 million had been transferred to the aforesaid non-distributable reserve. Accordingly, our PRC Legal Adviser is of the view that, our operation of the on-campus canteens, the establishment of the non-distributable reserve and the transfer of such surplus/earnings to the reserve for the continuous operation and improvement of the relevant on-campus canteens and other purposes permitted by PRC laws, are not in breach of the aforesaid "not-for-profit" principle. Funds in the non-distributable reserve will be used for purposes related to the on-campus canteens and will not be distributed to the school sponsors or otherwise be paid to Dongguan Ruixing or another PRC subsidiary pursuant to the Contractual Arrangements. Please refer to "Business – Ancillary Services" for further details.

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 21 July 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 21 July 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2 per cent on that date. On 23 September 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5 per cent to 3.0 per cent to improve the flexibility of the new foreign exchange system. As a result, the Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On 20 June 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 16 April 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 per cent to 1 per cent 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 15 March 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 per cent to 2 per cent, effective from March 2014. On 11 August 2015, the People's Bank of China (PBOC) announced a change to the daily fixing mechanism of the RMB exchange rate, which is now based on the previous day's average closing rate and takes into account exchange rate developments of the most important international currencies. On 30 November 2015, the International Monetary Fund (IMF) included the RMB with a 10.92% weighting to its Special Drawing Right (SDR) basket, effective 1 October 2016. To the extent that we need to convert Hong Kong dollars we receive from [**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.

Interest Rate Risk

Our fair value interest rate risk primarily related to our fixed-rate borrowings. We are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly bank balances and cash and bank borrowings which carried interest at prevailing market interest rates. It is our policy to keep certain borrowings at floating rates of interest so as to minimise the fair value interest rate risk. We currently do not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise.

Sensitivity Analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our post-tax profit for the years ended 31 August 2013, 2014 and 2015 and the nine months ended 31 May 2016 would decrease/increase by RMB1,879,000, RMB3,251,000, RMB3,275,000 and RMB2,693,000, respectively. This is mainly attributable to our exposure to interest rates on its bank borrowings.

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

Credit Risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the combined statements of financial position.

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

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

Liquidity risk

As of 31 August 2014 and 2015 and 31 May 2016, we recorded net current liabilities of RMB683.2 million, RMB14.6 million and RMB178.4 million, respectively. In view of these circumstances, our Directors have given consideration of our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors are satisfied that our Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account our cash flow projection, repayment of advance from related parties, unutilised bank facilities and our future capital expenditure in respect of its non-cancellable capital commitments. Our Directors consider that we have sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, our financial statements have been prepared on a going concern basis.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, 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 Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in the industry in which we operate since 31 May 2016 and there was no event since 31 May 2016 which would materially affect the information shown in the Accountant's Report in Appendix I to this document.

[**REDACTED**]